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EDITORIAL

As We See It

"The best laid schemes of mice and men gang aft agley." Such must be the burden of the thought of a good many political planners at this time with the autumn elections less than three months away. From all that one reads in the daily press, the public may well have all but forgotten that there is such a thing as an election coming up in November, but the voting will take place, and one can be quite certain that the politicians, particularly those who must stand for re-election, have not for one moment forgotten about it. Those aspects of the subject which have to do merely with the politics of this situation we very gladly leave to the professional politician. There are other phases of this situation, however, which are of vital importance to us all, and they involve a good deal more than finding some way of corralling enough votes to win elections.

Prior to June 25, matters political appeared to be shaping themselves in about the conventional way, with the Democrats shouting to high heaven about the blessings being showered upon us all (except, of course, the economic royalists) by the New Deal and the Fair Deal. Candidates for office in those districts where such seemed to be good strategy were, of course, planning to have a good deal to say about the fight against race prejudice and the like, and about all the sweeping plans for socialistic encroachments that the President has so often advocated and for which Congress—with deep gratitude be it said—has never shown much enthusiasm. Unfortunately,

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Federal Financing in Crisis

By DR. HARLEY L. LUTZ

Tax Consultant, National Association of Manufacturers and Professor Emeritus of Public Finance, Princeton University

Dr. Lutz discusses the problem of financing the defense effort and preventing inflation. Recommends drastic cutting of nonmilitary spending and paying cash for the defense program. Finds the President's tax program inadequate to cover the costs and prevent inflation because the increased revenues under it would not flow into the Treasury for many months, thereby assuring a head-start to inflation. Advises prompt revision and expansion of excise taxes to supplement other revenues as the only possible means of meeting current outlays as they are made.

The Korean "incident" has suddenly forced upon the nation the necessity of making a number of important decisions quickly. Some of the most important of these lie in the field of Federal financing. The purpose of this statement is to supply a basis for sound determination of these financial issues.

Dr. Harley L. Lutz

The President has requested additional appropriations totaling $10,517 million for military purposes in the fiscal year 1951. On July 26 he signed the bill to provide $1,223 million for arms aid to the North Atlantic community of nations, and it is reported in the press that an additional request, amounting possibly to $5 billion, would shortly be presented to the Congress. The official budget estimates for 1951 indicated a deficit of $5.1 billion. It is obvious, therefore, that if there be no change in any of these programs, there would be in prospect a deficit of around $20 to $21 billion for the current fiscal year. This is a prospect which must be radically altered if we are to avert a substantial rise of the public debt and the creation of strong inflationary potential. The first obligation

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The Schuman Plan And the U. S. A.

By THEODOR M. VOGELSTEIN

Though admitting economic advantages of Schuman Plan to unify Western European iron and coal industries, Dr. Vogelstein asserts such a "pool" is a super-cartel. Says it would be largest single industrial combination in capitalistic world. Describes set-up of plan by Mr. Monnet, and criticises it as complicated and possibly unworkable. Sees in it ground for authoritarian expansion to other industries and final development of European super N. R. A. Foresees American opposition to development of vast economic power of European coal and steel combine.

I

The Scope of the Plan

When the little Talleyrands of the Quai d'Orsay—excellent tacticians of diplomacy but not yet proven strategists—sprung upon the two hemispheres the project of a European coal and steel pool, one could only be astonished that the world was so surprised by a project which is at least two generations old and, if realized, would mean an enlarged and reinforced revival of older arrangements, i.e., the international rail pool and other combinations.

Theodor Vogelstein

No doubt the abolition of price differentiation between inland and export — at present discriminating against the foreign buyer, while in older times and perhaps tomorrow again giving him the advantage over the "undisputed area"—would mean some progress in the direction of normalization and freer trade. And arrangements to facilitate the exchange of Lorraine iron ore (minette) and Ruhr coke by the returning railway car would reinstate a sensible trade which worked well before 1914 and which the myopic national-

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CANDID SHOTS taken at the recent Annual Outing of the Security Traders Association of Los Angeles at Coronado Island appear on page 17.

The Security I Like Best

A continuous forum in which, each week, a different group of experts in the investment and advisory field from all sections of the country participate and give their reasons for favoring a particular security.

HERMAN B. COHLE
President, H. B. Cohle & Co.
Cincinnati, Ohio

(Rhinelander Paper Company)

Ordinarily it would be difficult to select the one security I like best for the future, but fortunately there is one security, namely Rhinelander Paper Company common stock, that meets all my requirements of sound investment, exceptionally high yield, excellent management, increasing earnings over a long period of years, long dividend record, essential business producing a necessity product, and growth prospects such as to warrant anticipating capital gains.

Herman B. Cohle

Rhinelander Paper Company of Rhinelander, Wisc., dates from 1903. The company manufactures glassine and grease-proof papers for protective packaging. These papers help package and protect thousands of brands of bread, crackers, cookies and other products of the vast baking industry; bacon, ham, lard, shortening, butter, candy, coffee, cereal products, snack foods, ready-to-cook prepared and frozen foods, hardware, drugs, notions—to name a few. Glassine patches on about a billion window envelopes yearly carry Rhinelander Paper into and out of countless offices and homes. In one form or another papers of this manufacture come into contact in a highly useful manner with most people of America many times daily.

The original mill consisted of two machines, one of 118 inch and one of 108 inch width. Today there are seven machines in operation, the two latest being the largest glassine machines in the world of 132 inch width. These goliaths make Rhinelander the largest producer of glassine and grease proof papers in the United States. Rhinelander produces 45,000 tons of these papers yearly. The company has sufficient spruce pulp wood supplies to last for many years.

During the last 46 years the company has operated at a profit every year (one year revaluation of assets showed a small loss). Net earnings after taxes for the year ending Sept. 30, 1949 were $952,585 or $4.89 a share on the 195,000 shares of common stock outstanding. Earnings for the 6 months ending March 31, 1950 were $664,382 or $3.40 per share on common stock.

Rhinelander Company has paid dividends every year of its 46 years in existence except two, when before there was any wide public ownership it was elected to reinvest all earnings in plant expansion. Present dividends are at the rate of $3 per share. As stock is selling about $45 a share this is a 6.66% yield. As of the fiscal year ending Sept. 30, 1949 book value of the common stock was $52.09 per share.

For the fiscal year ending Sept. 30, 1949 total assets of Rhinelander Paper were $14,719,641; currents assets were $5,276,976 (of which $1,256,004 was cash and government bonds) and current liabilities were $946,615. The company has outstanding a total of $2,850,000 2⅝%, 3½% and 3⅝% long-term notes due quarterly to 1958. Outside of these notes Rhinelander Paper Co. had no bonds or preferred stock. There were 195,000 $10 par value common shares outstanding. Paid in surplus was $3,045,000. Earned surplus was $5,162,616.

As concerns growth, the company manufactures a product that is continuously coming into greater use. Unit packaging of food is gaining daily—and packaging for shipping of hardware and machines by heavy grease-proof paper is growing. In 1938 the production was only 13,800 tons annually as compared to 45,000 tons today. In 1929 the company employed 456 people—today it employs 1,050. Another big point is Rhinelander makes a product which is destroyed after one use and has to be repurchased.

The management of Rhinelander is alert and forward-looking and one of the best. The management that has brought the company to its present prosperous condition is the same it had before and during World War II. The users of Rhinelander papers read like the blue book of industry, such as General Motors, Dolly Madison, National Biscuit Co., Standard Brands, Procter & Gamble, Planters Peanuts, Bunte Brothers, Armour and Company, Kroger, General Foods, Corn Products & Refining Co., National Tea, Tension Envelope, Ralston Purina Co., Chrysler, United States Envelope Company, Morton Salt Co., Kellogg Company, Dennison Manufacturing Co., Continental Baking Co., Jewel Tea Co., Eli Lilly Co., Reynolds Metals, First National Stores, Lipton Tea, Kraft Foods, Hormel, Hasting Piston Rings, Great Atlantic & Pacific Tea Co., General Baking Co., General Mills, Pillsbury Mills, Rath Packing Co., Swift & Co., Johnson & Johnson and others too numerous to mention.

Rhinelander is a defense stock and fits the conservative investor who wants safety. At the same time, due to its aggressive management and its growth characteristics, Rhinelander common stock will serve the investor who is looking for capital gains but desires a good income in the meantime. The stock has a good over-the-counter market.

WILLIAM R. COMPTON
William R. Compton Company,
New York City

(State and Municipal Bonds)

The securities that I like best are State and Municipal bonds. I learned something of finance and banking under the tutelage of my father who was a well-known and careful banker at Lockport, N. Y., where I was born. When I was out of my 'teens I went to the Middle West and after a few years of migrating, became the principal stockholder and manager of a small bank in northern Missouri. Almost immediately the wealth of my native town began to come to me for investment. At first, the money was invested in good farm mortgages but later led to municipal bonds which was a much larger field. They were limited in size and quality at that time and investors were scarce, being principally in the Eastern States.

William R. Compton

The business finally grew to such an extent that I moved to St. Louis where, after a time, it expanded so rapidly that I opened branch offices in various principal cities of the nation. Every community seemed to want a waterworks, school, roads, sewers, etc. There were only a limited number of dealers engaged in the field at that time. The general practice was to issue long-term sinking fund bonds which I did not like. I, therefore, advocated serial bonds and pounded into civic bodies my ideas, with desirable results.

Not much attention was paid in those days to ratings, which were few. Both the buying house and the investor, however, scanned carefully the debt statement of a community; its trend of population and looked particularly to see if it were a thrifty community and paid its debts. Some years later came the so-called public revenue bonds which, when well conceived, I have always liked as the users provided the revenues which served to care for interest and maturing principal. It was probably not until close to the turn of the century that investment money began to freely appear in the central and far Western States. The building of a great empire debarred people from accumulating investment funds applicable to interest bearing securities. The changes in this period have been remarkable. certainly in every state of the Union there is a plethora of people of means who are seeking prime investments. The supply has increased and the wealth of our nation has taken care of the distribution. I have now been active for over sixty years in this business and find it still fascinating. The ethics of dealers have vastly improved and investors have a wide field of bankers and prominent dealers to guide them in the type of security best suited to their needs.

Even before Federal and State income taxes were imposed, investors were willing to buy municipals at lower interest returns. Now that we have large Federal and State income taxes to face, municipal bonds are more popular than ever. The sizable issues that are constantly appearing, are being rapidly absorbed so that the lower interest return, with no capital risk, seems to be desired.

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This Week's Forum Participants and Their Selections

The Favorable Outlook For Airline Issues

By EDMUND W. TABELL

Partner, Walston, Hoffman & Goodwin, Members N. Y. S. E.

In light of business, political, and technical factors, analyst maintains airline stocks now offer outstanding opportunity for the patient buyer. Cites industry's long-term growth trend, contrasting it with shares' present historically-low prices.

For the common stock buyer whose chief interest is in long-term capital gains rather than current income, I believe that the stocks of airline companies present an outstanding opportunity at present price levels. Of all of my 1,200 or more graphs of individual stocks, the airlines have the clearest technical pattern for substantial long-term appreciation.

Edmund W. Tabell

Obviously, these issues, most of which pay no dividends, are speculative. Also, from another angle, they may not be suitable vehicles for short-term trading. But I believe they offer the possibility of very large percentage gains for the patient holder because:

(1) The airlines are definitely "growth" issues. From 1940 to 1949, passenger revenue and revenue passenger miles flown have increased each year. Passenger revenue was $53.3 million in 1940 and $389.3 million in 1949. Revenue passenger miles flown were 1,052 million in 1940 and 6,816 million in 1949. Another example of growth is the fact that the ratio of air passenger miles to Pullman travel was 3.90% in 1935. In 1940 it had increased to 12.81%. In 1949 it was 70.30%. In addition, the number of aircraft in service has increased sharply. There were 369 in 1940 and 866 in 1949.

(2) Despite this tremendous growth, the average price of airline stocks today is not much higher than in 1940.

(3) In addition, at present price levels, the average airline stock is selling considerably below the 1945-1946 highs. "Barron's" airline average is now around 40 as compared with 84.06, Jan. 1, 1946.

(4) The airlines in World War II benefited greatly from the stimulus of wartime traffic. In our present defense or semi-war economy, a similar stimulus to airline traffic should occur. In the event of a lessening of the war tension and a return to a peace economy, airline traffic would also tend to increase. Traffic for June is expected to show a large gain over a year ago.

(5) Costs should not rise in proportion to additional business and most of the gain would be carried down to net earnings.

(6) The airlines, in the war period from September, 1939 to Pearl Harbor, advanced 60% as compared with a 10% decline in the market. In the entire war period from 1939 to 1945, the airlines showed the greatest percentage appreciation of any group and advanced over 400%.

Tax Advantage Possible

(7) In the event of an excess profits tax, the airlines could be a special case. In World War II, they had a favored status. Their tax exemption was related to mail contracts rather than average earnings or invested capital. While it is only a conjecture, it appears probable that due to the importance of airline transportation in a war emergency, a similar favorable treatment would occur.

(8) The safety record of airlines is showing constant improvement. According to some sources, traveling by scheduled airliner is safer than riding in an automobile. As improved instrument landing and radar equipment are installed in more cities, delays and cancellations will be lowered and the passenger potential will be greatly increased.

(9) Express and freight shipments, which are now only a small and relatively unprofitable part of airline revenue, could increase sharply.

(10) Large institutional investors, such as mutual funds, trusts, pension funds, insurance companies and the like have a very small percentage of their assets invested in bonds, preferred stocks and common stocks of the airlines due to their speculative character and uncertain income. A change for the better could release a tremendous potential demand for airline securities due to their growth possibilities.

(11) The technical patterns of the airline issues are very favorable. Very strong accumulation bases have been formed with possibilities of wide percentage appreciation from their present levels.

(12) The potentially unfavorable factors such as dependence on our mail subsidies and the commandeering of fleets in the event of a war emergency may be overstressed.

Post-War Optimism

At the end of World War II both the airlines and the investing public were very optimistic on the future of the industry. The companies expanded rapidly. They borrowed money, bought new equipment, hired big staffs and extended their routes. Passenger revenue increased sharply in the period between 1946 and 1948, but not as rapidly as the too rapidly expanded costs. As a result, most companies lost money in the three-year period. Air mail subsidies, which had been re-

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Articles and News

Regular Features

VIRGINIA BECKONS!

We have reference, of course, to Virginia Beach, site of this year's Annual Convention of the National Security Traders Association, which will be held Sept. 26-30. Again, the CHRONICLE will issue a Special Convention Issue of this important yearly event.

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Bank and Quotation Record — Monthly, $25.00 per year. (Foreign postage extra.)

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Chemical Industry Securities

By EDMUND R. SWANBERG*
Associate, Scudder, Stevens & Clark, Investment Counsel

Mr. Swanberg describes: (1) nature of the chemical industry; (2) its investment characteristics; (3) factors affecting worth of chemical securities; and, lastly, recent developments. Stresses rapid growth of chemical concerns as well as importance of chemicals in modern industry. Reveals factors of strength and weakness in chemical company securities, and lists representative chemical producers whose securities are available for investment.

In order to acquaint you gentlemen with the chemical industry and the companies in the industry, I think it is necessary to cover the following broad topics (1) the nature of the industry; (2) the investment characteristics of the industry; and (3) factors affecting the worth of chemical securities.

Edmund R. Swanberg

Let us first discuss the nature of the industry. What kind of an animal it is? What does it do? We all have daily contact with manufactured chemical products. In the morning we brush our teeth with plastic toothbrushes, we shower behind plastic shower curtains, and we shave with creams having magic chemical ingredients. All these products and millions more are derived from plentiful basic materials by our chemical industry. Examples of these basic raw materials are coal tar, natural gas, salt, and wood pulp. Let's examine one or two of these and see how a typical chemical product is derived. Coal tar is a by-product of the coking process in the manufacture of steel. From coal tar we get benzene. Benzene in turn can be processed into such things as nylon, synthetic rubber, plastics and many others. Salt comes from salt deposits in the earth. It is mined and then in an electrolytic, process, chlorine and caustic soda is derived. Chlorine is essential in the manufacture of vinyl plastics used in our shower curtains, raincoats, seat covers, etc. Caustic soda is one of the leading basic chemicals and is used by the rayon, paper, and textile industries in large quantities.

*An informal, non-technical lecture given on July 26, 8th in a series of 17 on Securities Analysis sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

Not all chemical companies are fully integrated. That is to say, they all do not start with a basic raw material and go through all the steps necessary to manufacture a specialty product. Some companies, such as the **heavy chemical** companies, start at the beginning and go only a short way in producing basic chemicals and intermediates. Other **specialty chemical** companies by the basic chemicals and intermediates and process them further into plastics, insecticides, etc. Thus we see that the chemical industry is its own largest customer.

Still other chemical companies —those that I like to call **general chemical** companies — produce a wide variety of basic chemicals, intermediate chemicals, fine chemicals, and specialty products. There has been a trend in the postwar years towards making specialty products that are closer to the ultimate consumer. Many companies have found it more profitable to take a competitive basic chemical and turn it into a new plastic or a complicated ingredient for new drugs than to sell the same thing in bulk. Other companies have gone still further and sell to the actual consumer. (Anti-freezes as an example — Union Carbide's "Prestone" and du Pont's "Zerex".)

Nature of Chemical Industry

The chemical industry serves all other industries. New products in common use today are produced wholly without chemicals. The farmers are consuming increased amounts of fertilizers, insecticides, and herbicides, and also chemical feed supplements for cattle and poultry. The drug industry is closely connected with the chemical industry. Textiles, paint, rayon, rubber, glass, explosives, paper, and many other industries are using increasing amounts of basic chemicals, intermediates, and specialty chemicals, and are also using many chemical processes in their own operations. Changes in demand for the products of any of the above industries will directly affect the demand for the chemical products used by these industries. As we shall see later, this is important in appraising the investment status of individual companies.

The chemical industry is frequently termed a "growth" industry. That is, it has the ability to grow apart from normal growth associated with higher population, distribution, or buying power. Generally speaking, it has little opportunity to stimulate demand for its products by the use of consumer advertising. Some industrial or trade advertising is used but the industry stimulates demand to a considerable extent by improving its products and reducing their cost. Most companies also continually develop new products that meet specific requirements of industry as well as find new uses for present products.

These all fall in the category of research and development. This is the chemical industry's means of achieving new products, new processes, and new markets necessary for growth. The industry is a leader in the U. S. as far as research goes. General chemical companies spend anywhere from 2% to 5% of sales for research. As a rule, those companies with liberal research expenditures show high growth.

Growth of Industry

I am not going to bore you with a long set of statistics recording the historical growth of this industry. The record is clear. It has grown. It undoubtedly will continue to grow. Certain parts of the industry are growing faster than others. Such specialty products as plastics, detergents (components of Tide, Fab, Glim, etc.), synthetic fibers, rayon, nylon, orlon, dynel, fiber V), insecticides, and fertilizers are showing remarkable growth.

In discussing the nature of the industry we cannot neglect prices. The price policy of the industry is an important consideration. As I just mentioned chemical companies place much emphasis on improving processes and reducing costs. A portion of the cost saving generally is passed on to customers in the form of lower prices. The lower prices open up new markets for the chemicals and contribute toward growth of the industry. To some extent, in the postwar period, the normal downtrend in prices was interrupted by inflation. Nevertheless, the spread between prices of chemical products and nearly all other commodities has greatly widened, thus strengthening the position of chemicals wherever they come into competition with other materials. The accompanying table indicates the extent of some of the price changes in the chemical and other price indices.

Crawford Greenewalt, President of du Pont, has expressed his company's policy with regard to prices as follows:

"In the du Pont Company when we introduce a new product we set a price that yields a satisfactory return on our investment. As our sales increase, we endeavor to reduce that price as technological improvements and larger volume enable us to do so, that the market for the commodity may be increased."

Some Definitions

Before we go further in discussing the nature of the industry a few definitions are in order. There is no generally accepted definition of what makes up the chemical industry. The various government agencies have formulated broad definitions for their own particular purposes, but the classifications are not comparable.

"Chemicals" as we generally understand the term is applied to those substances which are derived from basic materials by processes involving changes in composition and which do not fall into other well defined industrial classifications. In addition to the products which we call chemicals, and which are for the most part raw materials for the chemical industry and for other industries as well, and which rarely reach the ultimate consumer in any significant volume, we have various semi-finished and fin-

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U. S. Bureau of Labor Price Indices (1926 = 100)

	Aug. 1939	Dec. 1947	Dec. 1949
All Wholesale Commodities	75	163	151
Chemicals	84	124	115
Commodities Other than Farm Products	78	156	150

Odd-Lot Trading on the New York Stock Exchange

By STUART SCOTT*
Partner, Carlisle & Jacquelin, Members N. Y. S. E.

Mr. Scott outlines rise of odd-lot or small quantity transactions on the floor of the New York Stock Exchange. Points out odd-lot business, because of risk of buying and selling is operated on floor by only two member firms, and contends this is preferable to specialist odd-lot trading in vogue on other exchanges.

Before the early "seventies," trading was done on the New York Stock Exchange of those days by call in any quantity. Later this was changed to auction trading. This change made it necessary to adopt a standard unit of trading so brokers could bid on like quantities of shares and pair them off. That is how the 100-share unit was born. At that time odd-lot transactions were made entirely over the counter on a barter basis. Then an odd lot business was started on the floor of the Stock Exchange, first by having the prices based upon the bid and asked quotations for full lots and subsequently, based on actual sales of full lots in the open market. The fairness of the latter method to the odd lot customer is obvious.

Stuart Scott

The term "odd lots" is a misnomer—the lots themselves are even as often as odd. And since they permit the little man to invest in big things, odd lots are a staunch bulwark of the free enterprise system.

Odd lots are simply security transactions in less than standard amounts. The standard "round lot" is a 100-share unit; odd lots are anything from 1 to 99 shares. For inactive securities, all stock exchanges also have established round lots of 10, 25 or 50 shares and in such cases odd lots are any fraction thereof.

Because it was obviously more difficult to pair off odd lots, the need for a separate entity to take all commitments for both purchases and sales at prevailing full lot prices became apparent, and the odd lot dealer system came into being on the New York Stock Exchange. For the risk of buying or selling any odd lot at any time, the odd lot dealer firms collect a "differential" of 1/8 point a share. The odd lot dealer firms at present operating on the New York Stock Exchange are Carlisle & Jacquelin and DeCoppet & Doremus.

The odd lot dealer has no part in setting prices. All "market orders" are executed at the price of the next round lot sale (the "effective sale") plus 1/8 to buy, less 1/8 to sell. All customer "limit orders" (i.e. set price) are executed at that price or better, differential included. When a commission broker accepts an odd lot order, he then becomes a customer of one of the odd lot dealers. To service these orders, the odd lot dealer has two or more associate brokers at each post.

In addition to the services maintained at each post for facilitating the execution of odd lot orders, each odd lot dealer maintains an extensive back-office setup for comparing, clearing and settling accounts with its broker customers and transferring securities where required or requested.

They also maintain an elaborate ticker service, electrical quotation board and an intricate system of direct telephone lines for the convenience of their broker customers. From this information center, the broker customers of the dealer can obtain quotations, last sale prices and the time of each round lot sale. It is in this center also that errors and claims are adjusted to the satisfaction, where possible, of both the broker customer and the ultimate purchaser or seller. This adjustment of claims and correction of errors is rather costly and is borne by the odd lot dealer firm.

The readiness of the odd lot dealer to trade in all listed stocks, absorb the cost of practically all errors and claims, compare, clear and transfer stocks, tends to reduce the operating costs and increase the efficiency of the commission firms. For that reason we feel that the odd lot dealer system of the New York Stock Exchange is more preferable than the specialist odd lot trading in vogue on other exchanges.

Odd lot transactions are not included in the published volume figures of the New York Stock Exchange but are in addition thereto. However, the odd lot dealers' transactions in round lots, which are necessary to reduce long or short positions, are included in such volume figures. The percentage of odd lot shares to round lots traded varies from 18% to 25%.

We feel that the average purchaser of an odd lot is fundamentally an investor. As a matter of record, housewives, mechanics and others with limited funds for investment are well represented in U. S. industry. Indication of the small investors' role is the predominance of stockholders, in our largest corporations, who own less than 100 shares. An investment program involving limited funds for the purchase of small lots of stock in sound corporations offers an excellent means for the growth of financial independence geared to the industrial development of the country.

*A lecture given on July 21, 1950, the sixth in a series of 17 on the New York Securities Markets and their Operations sponsored jointly by the New York Securities Industry and the University of Vermont's Department of Commerce & Economics.

Business Man's Bookshelf

Dynamic Economy, The — A Dialogue in Play Form—Harold G. Moulton. The Brookings Institution, 722 Jackson Place, N. W. Washington, D. C.—Cloth—$2.

Operating Results of Limited Price Variety Stores in 1949—Esther M. Love—Division of Research, Graduate School of Business Administration, Harvard University, Soldiers Field, Boston 63, Mass.—Paper—$2.

Profitable Operation Through Accounting—New York State Department of Commerce, Albany, N. Y.—Paper—No charge.

The State of Trade and Industry

Steel Production
Electric Output
Carloadings
Retail Trade
Commodity Price Index
Food Price Index
Auto Production
Business Failures

Total industrial production for the country at large held virtually steady the past week with high level output of recent weeks sustained. In comparison with the similar week in 1949, total output continued to reflect noticeable evidence of expansion.

In keeping with the higher production trend, another slight drop in total claims for unemployment insurance was reported.

In the steel industry last week steel ingot production underwent a one-point drop in capacity to just under 100%. This was due to a recent semi-annual readjustment in the total capacity figure. Taking the revised percentage figure for the week previous, a rise of 0.4 point is reflected.

Electrical energy distributed by the electric light and power industry of the nation again topped its previous high point to establish in the past week a new historical high record for the industry at 6,247,464,000 kwh.

In the transportation field, loading of revenue freight for the week ended July 29, 1950, by American railroads continued to show a higher trend with total cars loaded amounting to 844,849, an increase of 14,965 cars or 1.8% above the preceding week.

Auto output, likewise, advanced in the week with the increase attributed to gains by Plymouth, Ford and Buick, plus the return to work of Willys-Overland after a one-week closing for inventory.

Trade volume last week continued to give evidence of improved business with department store sales on a country-wide basis for the week ended Aug. 5, 1950, showing a gain of 29%. In the preceding week, however, such sales registered an advance of 42% and can in part be attributed to abnormal purchases stemming from the Korean crisis and its possible effects on our domestic economy.

* * *

A terrific jam in inquiry prevails this week in the steel markets and, apprehensive of a steadily worsening supply under impact of national emergency requirements, consumers are pressing the mills for tonnage. Their frantic procurement efforts, however, are meeting with little success. Inquiries are being rejected or tabled wholesale by producers in face of uncertainties as regards military needs and distribution controls. Until emergency demands are better known, and a system of allocations is worked out and approved by Washington, it looks as though the steelmakers will move slowly in accepting new business, states "Steel" magazine, national metalworking authority.

National emergency requirements over the remainder of the year will take only a small percentage of total steel output. Some military business is being booked, but it is relatively small. Flood of military and related orders is not expected until late in year at earliest. On the face of this, it would appear steel supply will be adequate for all normal civilian needs in the months immediately ahead.

Capacity steel mill operations indefinitely into the future are assured. The mills are pouring steel in record-breaking volume with ingot production capacity largest in history, in excess of 100,000,000 tons annually. Additional capacity is being installed and by the end of 1952 the industry is expected to be in position to produce in excess of 105,000,000 tons a year.

A strong undertone prevails in the markets, but prices for the most part are unchanged. Isolated advances, this trade authority adds, continue to be made.

* * *

Further evidence of the success in this country of the free enterprise system may be gleaned from the current report of the United States Department of Commerce, which discloses the fact that our gross national product, the total of all goods and services, set a new high record in the second quarter of 1950. The department added, that it reached an annual rate of $270,000,000,000 during the period, or $7,000,000,000 above the first quarter's rate and surpassed the previous record of $267,000,000,000 for the final quarter of 1948.

* * *

Steel Operations Advance to 100.1% of Capacity

The first waves of hysterical buying following the outbreak of war have been followed by a flood of orders that have just about jammed metalworking plants of all types, "The Iron Age," national metalworking weekly, reports in its current summary of the steel trade. Purchasing agents have so clogged their suppliers' doorsteps that it will take some time to sort out and evaluate the orders they are trying to place.

Extended industrial forward buying is due to increased order backlogs of manufacturers and increased order backlogs of their suppliers. Since the Korean war, leadtime on industrial purchasing has been stepped up 30 to 60 days. This applies to nearly all types of industries and materials.

This week all steel consumers can be divided into two groups—the hopeful and the fearful. Some are hopeful that they will receive the steel they need and some are fearful that they won't. But all are right in there battling for every ton they can get. In order to insure fair distribution of their products steel people are struggling mightily to screen and police every order that goes on their books, states this trade authority.

They have given up hope that machinery to handle voluntary allocations will be operating soon. And most of them are taking it upon themselves to expedite deliveries to customers holding government orders. They are asking customers to specify on the order the end use to which the steel would be put. If it is a government order they ask for the contract number; if a subcontract, the name of the prime contractor and contract number.

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Electric Utilities Can Cope With Any Emergency: Sutton

President of Edison Electric Institute tells National Resources Board generating capacity is nearing double that of 1941.

The electric industry is in even better shape to meet the present defense emergency than it was when the nation began to get ready for World War II, L. V. Sutton, President of the Edison Electric Institute, has reported to W. Stuart Symington, Chairman of the National Security Resources Board.


L. V. Sutton

There will be plenty of power to meet the needs of the country, Mr. Sutton said, in his letter to the NSRB Chairman, provided that "no government limitations are imposed which would prevent the completion of the construction program now under way."

This year, Mr. Sutton told Mr. Symington, the electric industry will have a total generating capability of 67½ million kilowatts, which is nearly doube what it had at the beginning of 1941. The current utility construction program will add another 12 million kilowatts of generating capacity by the end of 1952. In addition, the country's electricity production resources include 13½ million kilowatts of generating capacity in major industrial plants.

Nearly four times as much new generating equipment is on the power lines today, as there was in 1940, Mr. Sutton noted. As of the present, he explained, 30 million kilowatts of the industry's generating equipment is less than 10 years old, with all the advantages of economy of operation and relative freedom from mechanical breakdown possessed by modern machinery. In 1940 only 8 million kilowatts had been installed within the preceding 10 years.

"A vast reservoir of surplus electric power is ready to be tapped for any possible needs," he added. "This year reserves total 9 million kilowatts (12 million horsepower). They can, if necessary, generate more than 50 billion kilowatthours a year. A greater use of operating capacity through second and third shift operation of industry would make available at least another 50 billion kilowatthours a year.

"This total of more than 100 billion kilowatthours a year would represent an increase of one-third in presently available energy from the resources we now have, and would enable us to nearly double our present use of electricity in major industries."

In this connection, however, Mr. Sutton observed that the great reservoirs of unemployed and the idle industrial capacity that existed in 1941 are not available today. Instead, men and supplies for defense work must be diverted from non-essential industries. This shift will tend to reduce the demand for power for such purposes.

Henry W. Day Opens

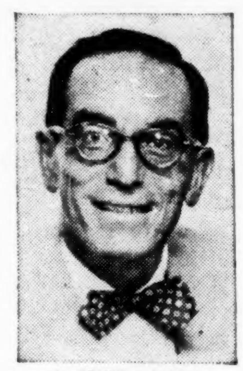
KENNEBUNK, Maine — Henry W. Day is conducting a securities business from offices at 62 Fletcher Street. He was formerly with Bond and Goodwin, Inc. and A. C. Allyn & Co., Inc., in Portland, Maine.

Observations . . .

By A. WILFRED MAY

The United Nations — "Then and Now."

LAKE SUCCESS, NEW YORK—The barrages of "upside down" sophistries emanating from Jacob A. Malik, the Soviet representative here, in his grand effort to destroy the United Nations surely are being fully discussed in the press and over the air waves. Hence editorial comment by this observer on the "Maliking-up" of the Security Council by its filibustering President merely would fall within the nature of just another blast.


A. Wilfred May

In lieu thereof this dispatch will contrast the present goings-on of this august body with the pledges which were so hopefully accepted by so many (but by no means all) of us who attended the Organization's charter-creation in San Francisco in 1945. Thus highlighting the tremendous change in the international climate which has transpired in this interval perhaps performs the serious function of demonstrating the world's seemingly ever-recurring dynamism toward war.

"THEN"

Excerpts from address of V. M. Molotov, People's Commissar for Foreign Affairs of the Union of Soviet Socialist Republics and Chairman of the Soviet Delegation, at the first plenary session of the United Nations Conference on International Organization at San Francisco, **April 26, 1945:**

"The Soviet Government attaches a great importance to the International Conference. . . . It is called upon to consider the question of setting up an organization to protect the general peace and security of nations after the war. From this it can be seen how great is the responsibility resting upon this Conference. . . ."

"The Soviet Government are a sincere and firm champion of the establishment of a strong international organization of security. Whatever may depend upon them and their efforts in their common cause of the creation of such a postwar organization of peace and security of nations will be readily done by the Soviet Government. We will fully cooperate in the solution of this great problem with all the other governments genuinely devoted to this noble cause. We are confident that this historic aim will be achieved by joint effort of peace-loving nations in spite of all the obstacles in the way of its achievement. . . ."

"It must be admitted that the presence in this coalition of such a country as the Soviet Union where relations between great and small nations are based on equality and true democracy is of extremely great importance. **On the other hand, it is impossible to overrate the active part played in this coalition by the United States of America which formerly remained aloof from the problems of an International Organization and which is now devoting to this cause its initiative and enormous international prestige.** This coalition would have been impossible without Britain which holds an important place in the international association of democratic countries. China in Asia (sic) and France in Europe are the great nations which strengthen this coalition as a powerful world factor in the postwar period as well. . . ."

"This organization must have the necessary means for military protection of the security of nations. Only if conditions are created such as will guarantee that no violation shall go unpunished and the adoption of necessary punitive measures is not too late will the organization of security be able to discharge its responsibility for the cause of peace. Thus the point at issue is the creation of an effective organization to protect the general peace and security of nations for which all the sincere partisans of the peaceful development of nations have long been striving. . . ."

* * *

"NOW"

Five years later the tune played here at the Security Council table by the Soviet representative prostituting his position as President, runs as follows:

"The Security Council faces a choice: Either it will firmly take the path of peace or else it will crawl, as it has done, deeper and deeper, wallowing in the quagmire of warfare. It is being

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Our Policy Toward Russia

By HAROLD E. STASSEN*

President, University of Pennsylvania

Prominent Republican party spokesman, asserting nation faces greatest danger of half-century, calls for firm and drastic policy against Communist aggression. Says Russia should be warned she will be held strictly accountable, and Congress should proclaim war will come to Moscow if aggressive actions are continued. Criticizes Administration's Asiatic policy as confused and incompetent, and advocates inquiry on China by U. N. Urges we keep domestic economy sound under full war preparation and favors higher and more taxes and limited controls, as well as $4 billion reduction on nonessential spending.

For the next few minutes I should like to talk to you earnestly and straight from the shoulder about the position of the American people in the world today.

Harold E. Stassen

Our country is in grave danger. It is in greater danger today than at any time in the last fifty years. We face across the world an unfriendly power with far greater military strength than was possessed by either Hitler or the Kaiser.

It is an unfriendly power which in five years of cold war has established its dictatorships over one-third of all of the peoples of the world . . . in Poland, Eastern Germany, Czechoslovakia, Hungary, Rumania, Bulgaria, Albania, North Korea and China. It is an unfriendly power which behind its Kremlin walls undoubtedly made the decision which sent the North Korean aggressors slashing southward through the Republic of Korea. It is an unfriendly power which has active fifth column agents throughout the world. It is an unfriendly power under a leadership which follows an ideology that might makes right, that man is meant to be dominated by other men, and that there is no God.

For five years that unfriendly power has been practicing a ruthless, vicious imperialism toward other peoples and other nations more destructive to their liberties, more degrading to their dignity, more crushing to their independence, more repressive of their worship, and more devastating to their standard of living, than any other imperialism in all history.

Tragic Mistakes in Policy

We face this unfriendly power with our own country under an executive Administration which during those same five years has made a series of tragic major mistakes in policy.

These men with responsibilities for our country's administration have been almost unbelievably confused and inefficient. They have been wasteful and neglectful. Thus they have added to the strength of this foreign opposition and have sadly weakened our own preparedness.

The administration of our country has sown so many pink seeds that now the American people must reap a red whirlwind.

It is with reluctance that I use such strong words, but I believe that a correct appraisal by the people of their executive leadership is an essential prelude to wise national action. And I do believe that history will adjudge our country's administration in these five years to be one of the most incompetent in our Nation's lifetime.

Tonight is not the moment to dwell in either anger or disappointment upon the familiar story of how we got into this perilous position. Our thoughts must be concentrated on how we move forward from here to national security and a brighter prospect of lasting peace.

It is late, but not too late. I am completely confident that the United States can and will win through. We can and will win through not only to preserve our own safety and freedom but to expand the freedom and progress of all mankind. But to do so we must recognize the basic facts and then move with that firm courage and unshakable determination of which our great free people are capable.

We must especially realize that the situation calls for a quality of leadership in Congress such as ordinarily is not required.

We should all observe that Congress as a whole has been more right these last five years than has the executive Administration. Therefore, public opinion and the press should encourage Congress to exercise increasing leadership. The situation requires statesmanship of a high order in Congress. The statesmen are there and they are beginning to respond.

In a democracy there is a normal tendency to criticize, even belittle the legislative branch of government, which necessarily moves somewhat more slowly and always includes a few members of very questionable judgment; and at the same time a tendency to take the side of the executive branch against the legislative branch.

In normal circumstances, such tendencies are understandable. But I submit that under the circumstances which our country faces, the people and the press would do well to look to Congress for increasing leadership.

What are we to expect of that leadership? On what are its policies to be based?

World Domination Aim of Soviet

First of all, the only safe basis for our future policy is to conclude that the ruthless rulers in the Kremlin have world domination as their grim fixed objective; that they seek to realize that objective through bringing all other nations under national Communist dictatorships, with each of these dictators in turn subordinate to the central dictatorship in Moscow; and that they have a program and plan to carry out that objective.

No one can conclusively prove that that is their objective. But certainly the actions of the Politburo in these last five years, and the writings of Stalin and Lenin, and their excessive armament program, point unmistakably in that direction. Certainly also, their actions in these last five years reveal no sincere desire for peace and progress. Therefore, we cannot base our American policy on any other concept of Kremlin policy.

It would further appear that their program for pushing toward this objective may employ one or more of the following four sets of action:

First, the conquering of other nations one by one, moving first on the weakest, and using methods of infiltration, of civil war, of external pressure, and of armed invasion.

Second, the continuous embroiling of the major free nations of the world, including the United States, in minor wars at distant difficult points to tire and weaken us and bleed us white.

Third, an effort by repeated threats of aggression to over stretch the American economy so as to cause an economic crash and chaos and weakness in this center of the free world.

Fourth, a direct surprise attack upon the United States as the strongest opposing power, by land through Alaska, by air through the northland, by sea through submarines, and by subversion, sabotage and Communist terrorism.

If this analysis is correct, then America must develop policies to meet any one of these four alternatives. In addition we should include some positive actions and programs of our own.

Clearly we cannot permit the other nations of the world to be picked off one at a time with the weakest and ripest falling first. With the callous willingness to spend human lives which characterizes the Kremlin's policies, the satellite nations of the Communist dictatorship can overrun almost any nation on which they border, unless the United States throws its power, through the United Nations, into the balance.

But if, following Korea, the Kremlin directs an attack of the

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*Text of an address by Mr. Stassen over the CBS network on Aug. 15, 1950.

From Washington Ahead of the News

By CARLISLE BARGERON

A friend of mine came rushing up to me over the last weekend and wanted to know whether I thought "Stew" Symington or Jim Steelman was to be the really big shot, the real "coordinator" with Truman in the war program. I told him frankly that I thought in the backbiting of Washington, Steelman would be the closer and more influential because, for one thing, it was my impression Truman had long since become annoyed with the Washington correspondents' glamour boy, "Stew," because he construed him as a troublemaker.

Carlisle Bargeron

At a time when Truman was asking for a so-called 48-group air force, "Stew" who has had unusually good press agents, was stirring up in Congress behind Truman's back, agitation for a 70-group air force. It is my definite belief that this was the reason "Stew" was shifted from Secretary of the Air Force, to be Chairman of the National Security Resources Board, an indefinable agency supposed to make the overall plans for the "next" war, such as mobilization of industry, price controls, rationing, go slow on wage controls, etc. It was the politicians' answer to the cry that never again would we be caught as we were at Pearl Harbor. This time we were to have maps, atomic bomb shelters and devices by which every man and woman, not responding to a key number for active service, would know exactly where to go and what to do on the home front. Particularly, would businessmen—the steel men and the automobile men—know exactly what to do. Although we have more than 2,000,000 people on the Federal payroll and a Congress and an executive establishment, we still had to have this additional agency to make overall plans, a well and highly paid staffed organization you can rest assured. The War Department, the Navy Department, the Department of Commerce, the State Department, the Interior Department, the Treasury, and so on, with their hundreds of thousands of employees, were not sufficient. The people wanted to know what was being done to prevent another Pearl Harbor and the politicians said "Why, the NSRB," just as they gave the UN, with its thousands of bureaucrats and millions of dollars of annual expenditures, as the answer to the people's longing for peace.

Well, the Washington correspondents being what they are, the NSRB came to have a high standing as an agency which in the event UN failed to preserve the peace, would insure us a painless and quick victory. It was to mobilize our might with the ease with which the man swings on the flying trapeze.

Truman, looking over the many alphabetical agencies to which he could appoint friends, didn't have a full appreciation of the NSRB's publicity build-up and sought to name a crony to its chairmanship, Mon Wallgren. The Senate, seeking to keep NSRB on a high plane, said, of course, Mon was not a man for this high level, though unquestionably deserving as a lame-duck Senator, of some lesser job. Mon was therefore appointed to the Federal Power Commission.

In the meantime, the NSRB chairmanship went wanting until only a few weeks before Korea when as I believe, Truman named "Stew" Symington with a view to getting him out of his trouble-making potentials in the Air Force.

When Korea broke there was an outcry from the people and from Congress for the NSRB to come forward with the overall plans it had been working on all these years. Having been without a Chairman for months it had no plans. But "Stew" responded to the emergency and finally appeared before Congressional committees with the same statements, almost verbatim, which the President had made.

I told my friend this and gave it as my opinion that Steelman was the "closer" man to the President.

"Well, I've got to know," he said, "because my people have a chemical which is essential to the war effort."

I had been under the impression that my friend represented the railroads or people who did business with the railroads.

Anyway, I said to him:

"I think you are making a mistake if you think there is going to be more tremendous spending for war production. Although Truman has already asked for some $16 billion in additional funds for the military, I don't think he expects to spend it. If the Korean mess clears up within a reasonable time, there will be an awful agitation not to spend this money, and I think Truman for all his bad points, will be sympathetic to that agitation."

My friend got red in the face and demanded to know whether the Administration was not going to spend for an all-out war. Thinking of the chemicals he wanted to sell and contemplating another war spending bonanza it made him sick in the stomach to suggest that it might not come.

I cite this merely as an example of the many forces moving in times such as these, forces which are jubilantly contemplating an all-out war and with which the politicians have to deal.

The darndest politics I have ever seen in all my life, has been that of the Republicans to force all-out controls upon the President. Their theory, of course, is that they will prove unpopular and make the people sore at Truman. What they apparently didn't realize until recently was that it was being made very patent to the people who were forcing these controls. The Republicans seem at last to have wakened up.

Housing Credit Is Not Inflationary, Says George Johnson

President of Dime Savings Bank of Brooklyn contends, if mortgage credit policies are kept within proper limits, home buying is merely form of systematic savings and thus does not contribute toward inflation.

There is far less inflation in the purchase of homes than in any other article or commodity. Liberal credit when applied to home buying is definitely not inflation.

George C. Johnson

Such were the observations made on Aug. 12 by George C. Johnson, President of The Dime Savings Bank of Brooklyn, which is financing more than one-fourth of all the houses being built on Long Island. "Inflation is that state of the economy in which a sharp increase takes place in the quantity of money or credit, relative to the amount of goods and services available," Mr. Johnson explained. "In most cases inflation enables people to buy things they do not need, and the greater supply of money and credit causes buyers to bid up prices beyond the true value of the article."

This is not true in the purchase of homes in the New York area, the bank President said.

"If mortgage credit policies encouraged a family to buy a $20,000 home when it can afford only a $10,000 house, that would be a serious from of inflation," Mr. Johnson continued. "But lending institutions have kept a tight rein on extending credit for home buying. As a result, it has become a form of systematized saving. Properties are appraised realistically and mortgage loans are made strictly on that appraisal and on the borrowers' ability to pay. A home buyer is not permitted, let alone encouraged, to buy something he cannot afford.

"Although today there is a considerable amount of inflation in the form of money and consumer credit, this is not being reflected in home purchases," the banker said. "It is true that home prices have more than doubled in the past ten years, but wages and salaries have advanced even more proportionately. Home prices have had to reflect this generally higher wage level because the most of lumber, cement, steel and all other house components are directly related to the wages of the people who produce them.

"Prices of homes are not being bid up by buyers," Mr. Johnson concluded. "There is plenty of production to satisfy demand, and too much competition among builders pricewise to bring about any runaway inflationary tendency. Next month, all segments of the building industry will be observing National Home Week, and this will afford the home-buying public an opportunity to see exactly how little inflation there is in home buying.

Two With Sills, Fairman

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — L. Edward Brookfelt and Mildred K. Brookfelt have become affiliated with Sills, Fairman & Harris, Inc., 209 South La Salle Street, members of the Midwest Stock Exchange.

Economic Mobilization Superfluous Now!

By ARTHUR W. MILLER

Citing our unprecedentedly vast reserves of manpower and materials at hand, our non-declaration of war, improved position of our Allies, and small proportion of gross national product called for in immediate future, observer maintains imposition of partial or all-out controls now would actually hamper the defense effort, and plunge us into totalitarianism.

Are additional Government controls over our economy generally desirable or necessary at this time?

A careful analysis of the **facts,** present and past, from an economic angle, leads to an unqualified "No," for such reasons as the following:

(1) Because of the apparent sudden "about face" of our Government with respect to the Far Eastern situation, both Congress and the people are confused, excited and almost hysterical. This is a time for cool heads, stout hearts, and **deliberate action**—rather than for further compromise with **mob psychology**.

(2) **We** have not declared war. No one has declared war on **us.** We have not been invaded. No one **can** actually invade us. No one can even attack us in force. It is even questionable whether our alleged and potential enemy, Russia, can drop atomic bombs on us. Such a situation hardly calls for economic mobilization on any drastic scale.

(3) Some nine or ten years ago we were faced by three or four well prepared and mighty enemies—Germany, Russia, Japan, Italy—all armed to the teeth and all ruthless. **They** were strong both on land and on sea, while **we** were almost totally unprepared. **Then** there was some reason for full mobilization, as our war effort required the redirection of about one-half of our economic activity.

We Have Vast Stockpiles Vs. One Enemy

(4) **Now** we have only one potential enemy, Russia, which is probably tired of fighting and the drain of military preparedness, and which continually asserts that she **wants peace**, not war. On the other hand, **we** have, in reserve, much trained manpower, particularly officers, much equipment and **material**, much stand-by munition plant capacity, and vast stockpiles of strategic materials.

(5) Further, we have great air fields from our recent war, barracks, camps, improved harbor facilities, forts, military roads, airplanes and airplane carriers, ships—both for battle and for commerce and transport — **tanks, trucks, guns, small arms, ammunition, atomic bombs, precision tools, surplus clothing, army and navy stores, etc. Also, we have been spending up to $15 billion each year since 1945 to keep our defense up to date and on the alert.**

All of these things should save us untold billions each year, should we be again plunged into an "all-out" war effort. We will need nothing comparable to our requirements during the last war, under any conceivable circumstances.

(6) At the same time, our total manufacturing **capacity** is at least 50% greater than some nine or ten years ago—and we have recently been turning out **goods** at a rate 50% higher than in the good year 1940. Our steel **capacity** is much greater, and is still increasing. Our capacity to produce electric power has almost doubled; our railroads are in better condition—and they did not fall down once in the last war. We are now virtually independent of natural rubber. We have a surplus of most everything of importance in our economy.

(7) When we got into the last war, we were just emerging from the longest depression of our history. Consumers' stocks were low. Now consumers' stocks are at record highs, as shown by the amount of durable and perishable goods bought, and by sales on credit. Housing is now reasonably adequate; automobiles are in ample supply.

Each year the Government is still buying and storing, giving away, or even destroying hundreds of millions of dollars' worth of basic farm products, in order to keep the **price high.** Surely this is no time to ration goods generally, or to **freeze** prices, profits, wages, or salaries.

(8) Our Allies in Western Europe and elsewhere, whom we have assisted at great expense for several years, are now in a much improved position. They should in the future be a much smaller drain on our physical and financial resources than in the past.

(9) The immediate war effort called for by the President is by him estimated to add about $10 billion to our Government expenditures. This is scarcely 4% of our **gross national product,** now running at the rate of more than $265 billion per annum. Under present conditions, as above outlined, we cannot, without wanton waste, spend any large proportion of our national effort on either the present or any probable future defense effort. $10 billion additional should be enough to put 2,000,000 additional troops under arms.

(10) The last war had been under way almost three years, and we had actually been in it for around six months, before we resorted to all-out mobilization, allocations, priorities, freezing of prices (wholesale and retail), rent control, salary control, profits control, etc. Then, however, we were rapidly speeding up the tempo of Government expenditures to around 50% of our national activity, as compared with only 4% additional called for at the present time! The present effort can be met almost without overtime work'

Plenty of Everything for Everybody

(11) With few and relatively minor exceptions, there is plenty of everything for everybody in this country, even under prospective war conditions. As soon as the initial hysteria dies down, panicky buying will cease, and prices will revert toward their earlier and lower levels. If in some cases prices should advance a bit further, that is no great cause for concern. It is nature's sound way of adjusting supply and demand. There is no reason to believe that we are actually threatened by any major inflationary developments as a result of the small-scale war on which we are now launched.

(12) Attention is also called to the fact that the major serious price advances have been at the retail level—and the President, in his Bill, distinctly eliminates price controls and rationing at the **retail level.**

And, by the way, all history shows that price fixing by Government has **never** worked, even when enforceable by the death penalty. Our memories are too short regarding the "gray" and "black" markets of the last war.

(13) The discouragement of questionably desirable home building should be achieved by cutting down Government credit for that purpose. Also, possible over-buying of household appliances and automobiles should be restrained by tighter terms.

Minimum Controls Most Efficient

(14) American industry can function most effectively under a **minimum** of Government control and interference. When and if the time should come when allocations and priorities are **really** necessary in the national interest, then such controls can best be exercised by Industry Committees functioning under Government approval and protection. This is the democratic and economical way for a free country.

(15) To impose, under present conditions, the partial controls as requested by the President, or the "all-out" controls advocated by Mr. Baruch, now seems unwise and unnecessary. It would hamper rather than help the defense effort. It would plunge us at once, under generally peaceful conditions, into a totalitarian form of government, akin to the very thing which we are **now** opposing with armed force. It would destroy our customary liberties, and take away our freedom for an indefinite period. Such a policy should be vigorously opposed by all sound thinking and patriotic citizens.

Dickie & Mendelson With Henry, Franc Co.

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Roy A. Dickie and Robert E. Mendelson are now associated with Henry, Franc & Co., 208 North Eighth Street, members of the New York and Midwest Stock Exchanges. Mr. Dickie was formerly with John Nordman & Co. and Edward D. Jones & Co. and in the past was an officer of Whitaker & Co.

Thomas Marnell With Merrill Lynch Firm

(Special to THE FINANCIAL CHRONICLE)

BEVERLY HILLS, Cal.—Thomas A. Marnell has become associated with Merrill Lynch, Pierce, Fenner & Beane, 454 North Camden Drive. Mr. Marnell was formerly with Kenneth A. Ellis & Co. in Phoenix and prior thereto was with B. C. Christoper & Co. and Prugh, Combest & Land in Kansas City.

Dealer-Broker Investment Recommendations and Literature

It is understood that the firms mentioned will be pleased to send interested parties the following literature:

Business vs. the Stock Market—Analysis in current issue of "Market Pointers"—Francis I. du Pont & Co., 1 Wall Street, New York 5, N. Y.

In the same issue are a tabulation of **National Defense Shares** close to or below applicable working capital values; a list of interesting **Canadian Stocks;** and brief analyses of **American Brake Shoe** and **Barber Oil.**

Comparison of Dow-Jones Industrial Average and the National Quotation Bureau Industrial Average—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Convertible Bonds & Stocks—Selected lists — Newburger, Loeb & Co., 15 Broad Street, New York 5, N. Y.

Municipal Bonds—Brief data on **Seattle Municipal Light & Power Revenue; School District No. 148, Cook County, Ill.; Mona Township, Ford County, Ill., Road Bonds; East Side Levy & Sanitary District, St. Clair & Madison Counties, Ill.; School District No. 31 (Warrenville), Ill.; Logan Township, Peoria County, Ill., Road Bonds**, Ballman & Main, 105 West Adams Street, Chicago 3, Ill.

Municipal Yields — Probable trend—Blair, Rollins & Co., Inc., 44 Wall Street, New York 5, N. Y.

Over-the-Counter Index—Booklet showing an up-to-date comparison between the thirty listed industrial stocks used in the Dow-Jones Averages and the thirty-five over-the-counter industrial stocks used in the National Quotation Bureau Averages, both as to yield and market performance over an eleven-year period—National Quotation Bureau, Inc., 46 Front Street, New York 4, N. Y.

Railroad Income Bonds — A "package" investment — Cohu & Co., 1 Wall Street, New York 5, N. Y.

Second Grade Railroad Bonds for income and potential appreciation—Data on several issues—Eastman, Dillon & Co., 15 Broad Street, New York 5, N. Y.

Allied Stores—Memorandum—Ira Haupt & Co., 111 Broadway, New York 6, N. Y.

Dansker Realty & Security Corp.—Analysis—Dansker Bros. & Co., Inc., 511 Fifth Avenue, New York 17, N. Y.

Electric Bond & Share Co.—Analysis—Wood, Walker & Co., 63 Wall Street, New York 5, N. Y.

Gerber Products Co.—Memorandum—A. G. Becker & Co., 120 South La Salle Street, Chicago 3, Ill.

James Manufacturing Company—Special report—Loewi & Co., 225 East Mason Street, Milwaukee 2, Wis.

Lea Fabrics—Information—Aetna Securities Corporation, 111 Broadway, New York 6, N. Y.

Also available are data on **Winters & Crampton, Plywood Inc., Douglas & Lomason,** and **Copeland Refrigeration.**

Mexican Railways — Analysis—Zippin & Co., 208 South La Salle Street, Chicago 4, Ill.

Puget Sound Power & Light Co. — Memorandum — Newburger & Co., 1342 Walnut Street, Philadelphia 7, Pa.

Riverside Cement Co. — New analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is a brief review of the **Cement Industry.**

Seneca Falls Machine Co. — Analysis—Lerner & Co., 10 Post Office Square, Boston 9, Mass.

Also available is an analysis of **Gear Grinding Machine Co.**

Solar Aircraft Company — Report—Walston, Hoffman & Goodwin, 265 Montgomery Street, San Francisco 4, Calif.

Also available is a memorandum on **Bunker Hill & Sullivan Mining & Concentrating Co.**

Southern Pacific Co. — Memorandum—Blyth & Co., Inc., 14 Wall Street, New York 5, N. Y.

U. S. Thermo Control—Analysis—Raymond & Co., 148 State Street, Boston 9, Mass

NSTA Notes

AD LIBBING

Fred K. Kirtland, Hermitage Securities Co., Nashville, and E. C. Hawkins, Rauscher, Pierce & Co., Houston, Texas, are presidents of their respective affiliates and also members of the NSTA Advertising Committee. Fred Kirtland, as President of the Nashville Security Traders Association must be proud of the fact that our National President, Frank Burkholder, hails from the Nashville affiliate. Fred, you are only a few dollars behind your quota.

E. C. Hawkins is President of the Houston Investment Dealers Association and has rather a high quota due to the fact that such quotas were established with the 1948 results and inasmuch as we had our convention in Texas it naturally brought a large response from the dealers. My suggestion would be to call on Jack Canavan, your business associate in Dallas, for the necessary encouragement in this, our final few weeks to go.

It now appears many of our associate groups will go far over their quotas. To date four have performed: Cleveland, New Orleans, San Francisco and Seattle. Keep in mind in many places the final drive seems to bring in the greater part of the advertising contracts and we are now approaching the deadline.

I receive reports which are very encouraging. However, here and there is a disappointment from an NSTA firm, which may not be in full accord with our purpose. I have repeated many times the importance of the trader in our business and through his commitments he should have the complete confidence

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Economic Policies for Today's Problems

By LEON H. KEYSERLING*
Chairman, Council of Economic Advisers

Chief Presidential economic adviser, though praising broad areas of agreement in economic policy, contends more stress should be placed on increasing national production than on imposition of controls. Says we should strive to increase annual output of nation to $350 billion by 1955 and, to achieve this result, Government should concentrate on encouraging and stimulating full use of industrial resources and also reinstate World War II methods of incentives, such as loans and tax deductions. Advocates as means of avoiding inflation a pay-as-you-go policy through more taxation and less borrowing.

The American people now need to adjust their ecnomic policies to the international situation now confronting this nation—and confronting free peoples all over the world.


Leon H. Keyserling

I use the term "American people" deliberately, for this is a job not only for government, not only for business, not only for workers or farmers or consumers. It is a job for everybody, everywhere. Only by a united effort can we be successful. And that unity, in a democracy, cannot come from arbitrary decrees handed down from Washington. That unity requires leadership, to be sure, and strong national leadership at that. But it also requires understanding eagerly sought, and cooperation voluntarily given, by every group and by every active citizen in every part of the country. The extent to which this understanding is achieved, and this cooperation forthcoming, is a test of the very foundations of our freedom and our democracy—the way of life which we are striving to make secure.

First of all, it is vital for everyone to realize that there is more unity and more agreement about the economic policies which we should now follow, than one might suppose from superficial examination. It is a national habit among us to debate issues of policy vigorously, and to spread the recording of this debate by press and by radio. That is how we arrive at sound conclusions. But we should take notice that most of this debate today is about details, and not about fundamentals. On the fundamentals of the current situation, and what should be done about it, there is an unusual degree of unity and an unusual amount of agreement. This is a source of great strength upon which we should capitalize, by seeking even greater unity and even wider agreement — and by translating these consents into prompt and affirmative action.

Broad Areas of Agreement

I should like to spell out, in greater detail, the broad areas of agreement about the problems we now face and how to meet them.

We are challenged by a force, the main power and inspiration of which is not to be found among the North Koreans. The main source of this challenge is the Communist philosophy, which has corrupted the minds and enslaved the bodies of about one-third of the so-called civilized world. This force has set out, by subversion and by aggression, by direct means as well as by indirect, to extend its sway and mastery over more and more of the globe. It is this force that we must resist and repel by marshaling our resources, and the resources of the rest of the free world.

Our instruments of resistance are twofold: ideological and material. In the field of ideas, we must resist by carrying everywhere the message of what freedom means—the kind of freedom toward which mankind has aspired for more than two thousand years. But we must combine this ideological resistance with material resistance, because the whole history of this two thousand years has shown that civilization can protect itself from barbaric reaction only when it is strong enough to do so.

Before the outbreak in Korea, the United States sought to make its contribution to this material resistance to barbaric reaction mainly by extending economic aid to the free peoples who had been stricken and impoverished by World War II. This aid was helping these free peoples to make remarkable strides in getting back on their feet economically and regaining their political security. This aid was also full evidence, to every fair-minded person and nation, that the United States had no international policy of aggrandizement, but sought only to help others in the achievement of decent and humane objectives. But the Korean outbreak brought home to us beyond question the sad fact that this kind of material resistance to aggression alone was not enough. That outbreak compelled us to admit, far more than before, that military resistance to barbaric reaction was also necessary—because unfortunately that is the only language which some people understand.

Consequently, it has become necessary for the United States, as the central supporting tower in the fortress of freedom, to undertake a vast expansion of its military forces, and also to expedite military aid to other free nations. This is not based upon resignation to the inevitability of World War III. It is based, instead, upon the historic lesson that this is the only possible way to avoid World War III.

This general appraisal of the international situation is shared, I feel sure, by the overwhelming majority of the American people. It is our first great area of unity and agreement.

But there are other areas of unity and agreement as well—in the field of economic policy. What are some of these?

It stands to reason that we can support this increased military effort, founded upon the yearning for peace and security, only if our economy is as strong as possible—and only if it grows stronger month by month and year by year. For the road to peace and security, at best, will be long and hard. And it is the strength of our economy which provides us with the weapons and the machinery, the steel and the food, the raw materials and the tools, to travel this long and hard road.

Production—Main Strength of Our Economy

The main strength of any economy may be summarized in one word— production. We are now the strongest nation in the world, in actual economic strength and in potential military strength, because we excel in production. Our industrial output, for example, is about one-half the total of that of the world as a whole. This gives us a great headstart. But a race is not won just by starting ahead; we must keep ahead, and we must be first to cross the finishing line.

The Soviet economy, according to the best estimates that can be dragged from behind the Iron Curtain, is making great strides in production. It is suppressing the common needs and desires of its people, in order to devote an unconscionable portion of that production to its military machine. Even with our own enlarged defense efforts, we will be devoting a much smaller percentage of our total output than the Russians do to military purposes. This is because we are unwilling, and properly unwilling, to impoverish our people in order to feed an insatiable war machine. But it follows from this that, in order to achieve sufficient military power to resist or discourage barbaric reaction we as a free nation must excel the Soviets in total production even more in the future than we have in the past.

The only deficiency in public discussion and understanding since the Korean outbreak is this: The discussion has concentrated so much upon the problem of controls, upon how we can divide what we now have between military and civilian use, upon how we can resist inflation while so doing—and all of these are essential parts of our task—that we are in some danger of neglecting the even more important problem of production and more production. The leading principle which should stamp itself upon our national economic policies at this time should be this: We need controls, but we cannot hope to outcontrol the dictators. We can continue to outproduce them, and this above all is what we must do.

The record of production in the United States, during the past decade, has exceeded the highest expectation. Our total output, this year, will be more than $100 billion higher than in the last year before World War II—in real goods and services, not just in dollar values. Two years ago, the estimate was made that our annual national output could rise from about $250 billion at that time to about $300 billion within five years. There were some who thought that this estimate was nothing but stargazing. But by the middle of 1950, even before the Korean outbreak and despite a recession in 1949, our annual output had risen to nearly $270 billions. We had demonstrated a rate of growth in production, which would certainly have carried us far above $300 billion in a shorter time than originally predicted. This should give heart to those who place so much stress upon the productive power of the American economy. It should point the way to further action.

That further action should be based upon the hard fact that our normal peacetime rate of productive expansion is good, but not good enough for the times that we are now facing. If we put the kind of drive into our productive efforts which the current situation calls for, we can expand at a far more rapid rate than all past calculations— which have turned out to be conservative. Instead of striving for a total output goal of $300 billion a year by 1954, we should now set our sights higher. We should now try to reach, by 1955, a total annual output of about $350 billion. This is not a prediction or a forecast. It will not come about automatically. But it is a realistic gauge of what our economy can do, if we pitch our efforts high enough in response to the heavy duties confronting us. And when I talk about this goal, I mean real increases in production, not price inflation.

We have the technology, the labor force, the business genius, the financial resources, and the natural resources to make these great strides in production. If we do so, we will keep so far ahead of the Soviets that the folly of attempting to continue their aggressive actions may become apparent even to them. If we make strides of this size, we will be able to build up our military strength, provide military assistance to other free peoples, and undertake necessary economic programs abroad — all without wearing out or tearing down the strength of our own domestic economy.

This does not mean that we can have guns and butter, too, in the sense of meeting our new world responsibilities without any sacrifices on the domestic front. We must be prepared to make these sacrifices in the cause of freedom. But it does mean that we can have enough butter to keep our civilian population strong and its morale high and to keep our domestic economy in tip-top shape so that we may better be able to make as many more guns as we may need to make.

We increased our total production by almost two-thirds, between 1939 and the middle of World War II. It is true that we started in 1939 with more slack resources than we now have. On the other hand, with the advent of World War II, we had to withdraw manpower from industrial production and put it into the armed forces much more rapidly and extensively than we are now expecting to do. On balance, while we should not expect to be able to increase our output by a similar two-thirds in the next few years, we can certainly step it up much more rapidly than the excellent progress which has been made since the end of World War II.

Specific Policies Required

This requires specific policies. These policies, as I have said, should take precedence over all other policies in the economic field.

As we get ready for a long and hard pull, industry should redouble its efforts to make use of new inventions, to expand its plant and equipment, and to turn out more goods. The productive resources of our industries, both large and small, are tremendous if fully utilized. Government should concentrate upon encouraging and stimulating the full use of these resources. Many methods used for this purpose during World War II—including loans

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*A radio address by Mr. Keyserling, Aug. 9, 1950.

Missouri Brevities

The report of **Laclede Gas Co.**, St. Louis, for the 12 months ended June 30, 1950, states that the company's construction budget for the 12 months ending Sept. 30 next, called for expenditures of over $8,200,000, of which $4,515,000 has been expended through June 30. The report adds that the company will require, over and above the proceeds of the $5,000,000 of 4.6% preferred stock sold on July 13, some additional capital by Dec. 31. This may be obtained by temporary bank loans. Operating revenues for the 12 months ended June 30, 1950 were $20,168,209, as against $15,767,069 for the previous 12 months' period, while net after taxes, interest and other charges, was $2,443,416, equal to 98 cents per share, as compared with $2,241,746, or 92 cents per share for the year ended June 30, 1949.

* * *

American Investment Co. of Illinois (St. Louis), operating a nationwide chain of small loan offices, reports net earnings of $2,195,561 in the first six months of 1950, equal after preferred dividends to $1.49 per share on 1,362,790 shares of common stock now outstanding. This compares with earnings of $1,860,667 for the same period of 1949, equal to $1.38 per share on the 1,188,756 common shares then outstanding or $1.25 per share on the presently outstanding shares reflecting preference stock conversions during the period. During the past six months the company opened 22 additional branch offices in eight states. The company is presently operating a total of 193 offices in 19 states and 159 cities.

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For the six months ended June 30, 1950, **Century Electric Co.**, St. Louis, reported a net profit, after Federal income taxes, of $320,271, or 59 cents per share, as compared with $36,427, or seven cents per share, for the corresponding period of last year.

* * *

Net earnings of **American Zinc, Lead & Smelting Co.** and wholly owned subsidiary companies, after Federal income taxes, amounted to $831,466, or $1.18 per common share, for the three months ended June 30, 1950, as compared with $560,573, or 71 cents per common share, for the same period of last year. For the six months ended June 30, 1950, net was $1,246,239, or $1.60 per common share, as against $951,668, or $1.16 per common share, for the first half of 1949. For the 12 months ended June 30, this year, net profit totaled $868,486, equal to 79 cents per common share.

* * *

Trans World Airlines, Inc. for the first half of 1950 reported net income, after provision for taxes, of $1,436,102, equal to 59 cents per share. This compares with a net of $730,534, or 30 cents per share, for the first six months of last year. The corporation on Aug. 10 announced the purchase of six more Constellation transports from the Lockheed Aircraft Corp. at an approximate total cost of about $6,000,000, with delivery to be made in 1951.

* * *

The **Kansas City Southern Ry.** will until noon (EDT) on Aug. 23 in New York City receive bids for the purchase from it of $2,700,000 of equipment trust certificates, series K, to be dated Sept. 1, 1950, and due in 15 annual installments of $180,000 each. The railroad reported a net income in the six months ended June 30, 1950, of $3,066,366, or $5.19 per common share, compared with $3,716,116, or $6.46 per common share, for the same period last year.

* * *

Lucas, Eisen & Waeckerle and **Mercantile-Commerce Bank of St. Louis** on Aug. 9 purchased $450,000 of **St. Louis County** 1¾% and 2¼% school bonds, due from 1 to 20 years, at 100.003, and reoffered the bonds at prices to yield from 0.80% to 1.75%, according to maturity.

* * *

Edison Brothers Stores, Inc., St. Louis, reports consolidated net income of $1,077,116 for the first half of 1950. This is equal to $1.12 per common share after deducting preferred dividends and compares with $1,152,334 or $1.21 per share for the same period last year. Net sales for the 1950 period amounted to $35,696,724, a decrease of 6%, as compared with $37,989,749 for the first half of 1949. There were 220 stores in operation as of June 30, 1950 as against 208 a year ago.

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For the six months ended June 30, 1950, the net earnings of the **McQuay - Norris Manufacturing Co.**, after the usual reserves and after all tax provisions, were $201,032 compared to $193 072 earned in the first half of 1949. This was equal, after preferred dividend requirements, to 47 cents and 44 cents per share, respectively, on the outstanding 355,939 shares of common stock. For the quarter ended June 30, 1950, net was $191,111, or 49 cents per common share as against $121,277 earned in the second quarter of last year.

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Empire District Electric Co. of Joplin reports that although operating revenues for the 6 and 12 months' periods ended June 30, 1950 were below those for the same periods ended June 30, 1949, net income, after taxes, interest and other charges, showed substantial gains. Operating revenues totaled $3,579,258 for the six months as against $3,643,963 for the first half of 1949, while net income amounted to $630,031 as compared with $488,380. For the 12 months ended June 30, 1950 operating revenues totaled $6,955,533 compared with $7,253,446 for the previous 12 months' period, while net amounted to $1,223,315 as against $931,581.

* * *

Net sales of **Scullin Steel Co.** for the six months ended June 30, 1950 amounted to $6,377,173, as against $12,224,246 for the same period last year. Net earnings after taxes totaled $572,231, or $4.10 per common share, compared with net of $711,296 for the first half of 1949. Book value per common share at June 30, 1950 was $46.20, against $41.33 a year before.

* * *

The directors of **City National Bank & Trust Co.**, Kansas City, have voted to transfer $1,000,000 from the undivided profits account to the bank's surplus fund. After this transaction the bank's capital stock outstanding is $2,000,000; surplus, $5,000,000; and undivided profits, $1,980,000.

COMING EVENTS

In Investment Field

Sept. 8, 1950 (New York City)
Security Traders Association of New York annual outing at the New York Athletic Club, Travers Island.

Sept. 8-9, 1950 (Portland, Ore.)
Pacific Northwest Group of the Investment Bankers Association annual meeting at Gearhart Hotel, Gearhart-by-the-Sea, Ore.

Sept. 14, 1950 (New York City)
New York Curb Exchange Golf Tournament at the Garden City Country Club, Garden City, L. I.

Sept. 15, 1950 (Philadelphia, Pa.)
Bond Club of Philadelphia Field Day at the Manufacturers Country Club.

Sept. 26-30, 1950 (Virginia Beach, Va.)
National Security Traders Association Annual Convention at the Cavalier Hotel.

Oct. 12, 1950 (Dallas, Tex.)
Dallas Bond Club Annual Fall Meeting.

Nov. 26-Dec. 1, 1950 (Hollywood, Fla.)
Investment Bankers Association annual convention at the Hollywood Beach Hotel.

Dec. 8, 1950 (New York City)
New York Security Dealers Association Silver Anniversary Dinner at the Waldorf Astoria Hotel (Starlight Roof).

With Mitchum, Tully

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—C. R. Klingensmith and Philip M. Smith, Jr., are now associated with Mitchum, Tully & Co., 650 South Spring Street. Mr. Klingensmith was formerly with Buckley Brothers and Franklin Wulff & Co.

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NSTA Notes

of his firm and with an ad in our convention issue of the "Chronicle" he may feel that reward of his efforts.

HAROLD B. SMITH, Chairman,
NSTA Advertising Committee,
Pershing & Company,
120 Broadway, New York City.

SECURITY TRADERS ASSOCIATION OF LOS ANGELES

The Security Traders Association of Los Angeles held its annual three-day funfest at the Hotel Del Coronado on Coronado Island across the bay from San Diego June 23-25. Attendance was at an all-time high, including NSTA President H. Frank Burkholder, Equitable Securities Corp., Nashville, and Vice-President Don Sloan of Donald C. Sloan Co., of Portland. A large contingent from San Francisco and guests from San Diego, Chicago, St. Louis and New York all agreed that Coronado proved to be an excellent locale for what has always been one of the finest Traders parties of the year.

In addition to the usual recreational facilities provided by the Hotel of swimming, boating, fishing, etc., guests had the opportunity of watching the final matches of a tennis tournament featuring nationally known stars.

Excursions to nearby Tia Juana, Mexico added an International atmosphere and the National Steel & Shipbuilding Co. of San Diego were hosts at a cocktail party held at the hotel Saturday evening before the entire group made its final visit across the border to watch the famous Jai Alai games.

Jack Alexander of Walston, Hoffman & Goodwin, President of the Los Angeles Traders extends full credit to the Committee of Scotty Stout, Blair, Rollins & Co., Inc., Chairman; Roy Warnes, Hill Richards & Co. and Bill Pike of Morgan & Co. for the grand affair that it was.

Securities Salesman's Corner

By JOHN DUTTON

The change over in the nation's economy from a semi-war basis to what now amounts to an all out drive for the achievement of sufficient armed strength to properly protect this country has left many investors in a complete quandary. Security portfolios composed of many peace stocks are giving their owners some worried hours. It matters not whether or not the eventual outcome will be favorable to many of these holdings about which people are now concerned; from the standpoint of the salesman the point to consider is that WHEN PEOPLE HAVE WORRIES SALES OPPORTUNITIES ARE CREATED. I was once surprised to learn that one of the greatest salesmen we have ever had during the past 50 years, a man who almost single-handedly built his name into a national by-word, and who created a business based upon service to investors, made the true statement: "What we really sell is hope and a way to destroy fear, that is what people buy, it is as simple as that."

When people are disturbed you have a positive opportunity for doing business with them. Now is the time to make your advertising work overtime. If you have been finding difficulty locating prospects through your direct mail advertising; if returns have been small, now is the time to change all of that. I know of an alert dealer who recently picked out 10 soft drink stocks. He listed them on a page and sent a letter out to a selected list of people who owned stock in **only one** of the companies listed. He offered to let them know (if they were interested) how the change over to a war economy would affect any one of these companies. He told them he could advise them if sugar shortages might hurt as it did in the last war, if manpower shortages, tire rationing and gasoline rationing might affect these companies; if there were possible glass and other shortages which might impair the earnings of this particular industry or of any company in the group. He also offered a special review of any company on the list. A space was reserved at the bottom of the page for reply.

A letter along these lines will pull inquiries. The next stop is to send out general material and advise the prospect that there has been a slight delay in the procurement of the special report (or that inquiries have exceeded supplies) but in a few days it will be delivered. Then send out your salesmen. Have them go in to make a service call. Deliver a special report. From there on the door is open and you have made a valuable contact.

Another case of capitalizing on fear is where people will tell you, "I am not speculating any more, I sold out. I am out of the market." Don't you believe it. First of all many of these people will be right back in the market again as soon as they gain their confidence once again, and the worst part of it is that most of them will do so at much higher prices. These are the people who can be shown that the greatest gamble today is to take a completely "all cash, highly liquid" position. If articles like you read in the "Chronicle" every week by eminent economists are not convincing enough I don't know where else you are going to find your proof. Take an article or two—take any issue of the "Chronicle"—go out and see some of these people. Show them in black and white that men who KNOW and who have no axe to grind are saying, "INFLATION LOOMS AHEAD. SERIOUS INFLATION. WORSE THAN WE HAVE EVER KNOWN YET, MAY COME SOMEDAY." Ask these people what they expect to do about it. Ask them how they expect to protect themselves with dollars, and government bonds. Once a man begins to WORRY he's 90% sold. The rest is easy—show him how to protect his assets regardless of what happens. A well planned investment program consisting of diversified stocks, bonds, and cash is the answer.

Every time one man puts a new idea across, he finds 10 men who thought of it before he did, BUT THEY ONLY THOUGHT OF IT.

The Banks and the War

By F. RAYMOND PETERSON*
President, American Bankers Association
Chairman, First National Bank and Trust Company, Paterson, N. J.

Head of ABA, in picturing threat of allout war and its repercussions on banking, reviews experiences and lessons of last war. Says our banks are sound and strong and capable of fully financing war production. Lists wartime services of banks, and repeats warn.ng to banks already made by American Bankers Association to appraise loans so as to make sure they do not contribute to inflation. Urges special care in extending consumer credit and recommends tigh'ening of mortgage loan terms by Federal agenc.es. Pledges full support of banking in current crisis.

In terms of international relations, the struggle in Korea has been called an effort by the United Nations to suppress an act of aggression and to restore peace. To those of us who are laymen in the field of international relations, however, Korea appears more to be the opening phase of a war between nations, worldwide in scope, than an international police action.

F. Raymond Peterson

The prospect of total war is an ugly reality that must be recognized. It can create many even more arduous tasks and serious problems for the nation than it already faces. It can require of banking the same full war support that the banks provided throughout World War II. We must be ready to provide that same support, and even more if it is needed.

War is the test of men. It is also the taskmaster of an economic system.

All that the people of this nation have done since the end of World War II to achieve peace and prosperity, and their hopes and plans for an even better future are now being set aside while the nation begins to bend to the tasks of war to defend this country and the remaining free nations against the aggression of the growing communist empire.

In the conflict between Communism and freedom, there is no such thing as a "small" war. Our real adversary in this war can use satellites, as in Korea, to confuse the issues; to select is own time, place, and weapons of war; and to bait us into economic exhaustion, with intervening false gestures toward peace. But for almost five years it has seemed inevitable to most political and military experts that a final struggle—the showdown — must eventually come, because war is the weapon and conquest is the real goal of Communism.

This country's real opponent in war is formidable and aggressive. This adversary has almost unlimited manpower, strategic defense in the vast space and depth of Europe and Asia, and the ability and ruthlessness to seize and regiment troops, labor and the materials of war in her own country and the nations she has conquered. High government officials have stated that Communism also has some form of atomic weapon.

But I for one believe that America's tremendous industrial and economic capacity, when mobilized, can largely compensate for her strategic handicaps, for her commendable unwillingness to arm herself by seizure and violence, and for what she may lack in manpower. Because of America's technical ability and industrial capacity, this conutry can design and produce more and better weapons than her adversary. Admiral Halsey has recently pointed out that the free men of democratic nations are slow to mobilize and fight, but their wrath, their skill, and their strength have always proved invincible when they are finally and fully turned upon the enemy.

Our industrial and economic structure is as complex as it is productive. It is not an easy job to convert it to war. But we know from experience that it can be done, with such completeness that the flow of war material becomes a torrent. In war or in peace, banking is an essential part of the nation's productive economic organization because it provides the government and industry with credit and other indispensable financial services. War has always produced profound effects upon the nation's banks. They may be required this time to provide as much—and perhaps more—credit and war services than during World War II, although the nature and extent of some of these services may differ from those of the last war.

Our Banks Are Sound and Strong

It it fortunate at this critical point in the nation's history that the banks have never before been so sound and so strong. Never have they had such great resources, exceeding $170-billion, or so vast a backlog of wartime "know how" with which to aid this country during war. It is wise to alert ourselves now to all that banking may be required to do. Financial and economic planning is as vital to success in war as military planning.

Underlying the success of all plans for economic and financial mobilization and warfare is this major consideration: the financial and economic conduct of the war ought to be carried on in such ways, and with such skill, that the fundamental integrity of the national debt and of the credit structure, and of the values behind money, is not dissipated and can be maintained at the war's end.

The first requirement for the successful outcome of any war is, of course, military victory. Defeat in a war with Communism would mean the destruction of almost all our social and economic institutions. Military victory cannot be taken for granted. It must be fought for and won at the price of human suffering, casualty lists, and all the destruction and hardships of war, as we have again learned in Korea.

Confidence is vital, but no one can blithely assume that military victory in total war is a foregone conclusion. Military leadership does not and cannot assume that victory in war is a certainty. But a victory won over Communism at the price of economic and social disaster, and collapse of its democratic institutions, would be a Pyrrhic victory for democracy. So the nation's economic and financial operations during the war ought to be carried out in ways that will help preserve the future soundness of the national debt, the dollar, and the credit structure, because the economic and social institutions which comprise the democratic way of living depend upon their soundness at the war's end.

Equally important, the ultimate survival of democratic institutions in this country depends on prompt abandonment by the government at the end of the war of the restrictions and controls already and yet to be established by law and regulation during the war. Throughout the nation's history, our people have been willing to forego many of their rights and privileges, and submit themselves to all that is necessary to win a war. Although they appear neccessary, the economic powers conferred upon the government by the recent National Defense Act are so sweeping that this country could emerge from the war as a statist nation.

The controls the law establishes over labor, industry, and finance are very broad and far reaching. Our experiences in World War II taught every one the necessity for restoring economic freedom, curbing the government's powers over production and credit, and liberating the consuming public from the shackles of control as promptly as possible. In our own field of banking, we go on record now for the repeal of the government's wartime guaranties of industrial credit and abandonment of Federal powers over consumer loans and of such other powers over credit as the law prescribes, when the war emergency ends.

Banking Experiences in World War II

The experiences of banking in World War II are valuable to us and to the nation now in many other ways. Of course we do not know how rapidly the war with Communism may progress, in what respects it may differ from the last war, or how long it will last. But our plans must be based on the assumption that it may become total war, and a long war. We can hope for the best, but it is safer to plan for the worst.

Let me emphasize that by drawing upon our experiences in World War II, we are not committing the blunder of "planning for the last war." Military leaders do not disregard the lessons they learned in their war experiences in former wars. The same holds true with respect to banking, finance and industry in wartime. They, too, must make their plans for future war operations with an eye on their experience in past wars.

Banks' Wartime Services

The wartime services we can perform are:

(1) Providing credit and other financial services for the government as it expands, maintains, and supplies the armed forces, and helping the United States Treasury distribute its securities among investors.

(2) Providing credit for technical and industrial producers of war materiel.

(3) Financing farmers in the production of food and other agricultural commodities needed for both military and civilian uses.

(4) Assisting the government in locating and freezing enemy funds in this country that are intended for espionage, sabotage, and other subversive activities.

(5) Restricting unnecessary civilian, non-military uses of commercial credit.

(6) Cooperating with Federal authorities in the regulation of consumer credit.

(7) Providing financial assistance in the construction of defense housing, and administering the granting of real estate mortgage credit prudently and in accordance with Federal Regulations.

(8) Providing branch banking facilities for Army, Navy, and Air Force bases and encampments, and check-cashing services for families of men in the armed forced receiving dependency allotments.

(9) Providing coupon accounting and clearing services for the government as an essential part of the rationing system it may establish.

(10) Maintaining War Loan accounts for the United States Treasury and serving as its tax depositories.

(11) Providing trust services for men and women who are called to serve in the armed forces.

The first of these fundamental tasks of banking is to help the United States Treasury finance its war expenditures. In the simplest terms, this means helping the Treasury meet its borrowing requirements for money. There is no known means of determining or even approximating the cost of this war. This, of course, is because we do not know yet the war's exact nature, its totality, its duration, or the future movement of costs and prices. However, this was the Treasury's experience in financing the materiel and personnel requirements, and the government's operating costs, in World War II: Federal expenditures during that war amounted to $398 billion. Of this amount, $175 billion, or 44%, was obtained from taxes collected during the war. The balance of $222 billion, or 56%, was raised through borrowing from the banks and from private and institutional investors such as individuals, insurance companies, and trust funds. The banks underwrote the success of every Treasury War Loan Drive.

The Secretary of the Treasury requested the American Bankers Association to form a committee advisiory to him throughout World War II. As the Secretary's call, the committee offered suggestions regarding the size and placement of each borrowing operation; the nature of the government securities offered; their terms, maturities, and interest rates. It suggested sources of funds to be borrowed, with a view to spreading the debt as widely as possible among various types of investors to minimize its inflationary effect.

This ABA's committee, now known as the Committee on Government Borrowing, has continued during the past five peacetime years to meet periodically with the Secretary of the Treasury, at his request, to consult with him on postwar management of the debt. This week, the Committee met with the Secretary in Washington and offered its suggestions with respect to Treasury financing in view of the new war developments. We shall continue this service at his pleasure and the banks will cooperate fully in war financing.

Early in World War II, the banks throughout the country mobilized to sell and distribute War Savings Bonds to the public. Under the leadership of the Association's Committee on Treas-

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*An address by Mr. Peterson before the Annual Convention of West Virginia Bankers Association, White Sulphur Springs, W. Va., Aug. 10, 1950.

How to Protect Yourself In Event of A-Bomb Attack

Measures cover surprise attack, advance protection in existing facilities and advance planning in new construction. Fear of radiation effects has been overemphasized.

"As a company executive, you'll have nothing to worry about if an atomic bomb drops on or within a half mile of your plant. But if you're outside that limit, advance planning against blast, burn, incendiary, and radiation can save many lives."

This grim advice is from a list of protective measures which has been summarized by the National Industrial Conference Board for executives who are responsible for the safety of the people under their supervision. The Board's report is based on training lectures and publications of the Atomic Energy Commission, the handbook just published, "The Effects of Atomic Weapons," plus other sources.

Since experience with atomic blast effects is limited, executives know relatively little about protective measures. The Board's report attempts to fill the gap.

Basic to a protective program, according to the Board, are the facts that:

(1) The A-bomb burst is seen before the explosion is heard.

(2) Major A-bomb casualties result from fire.

(3) Nuclear radiation from the bomb is likely to produce more hysteria than casualties.

The protective measures outlined by the Board fall into four categories:

(1) Immediate measures in the event of a surprise attack.

(2) Advance protection within existing facilities.

(3) Advance planning in new plant construction.

(4) Over-all shelter protection.

It is pointed out that if a plant suffers a direct hit, little, if anything, can be done. However, the Board points out, many lives can be saved outside the immediate blast area in the short interval between the time when the explosion is seen and when, a split second later, it is heard.

Immediate Action

The Board's study reveals that employees should be told in advance:

(1) If Out of Doors:

Do not look in the direction of the explosion, which will be indicated first by a sudden increase of the general illumination.

If you can reach shelter behind a tree, around a corner, in a doorway, in a step or two, do so immediately. Turn away from the light and crouch.

If in the open or if shelter is more than a few steps away, drop to the ground instantly. A second, not a minute, means the difference between life and death. Curl up and attempt to shade bare arms, hands, neck and face with your clothed body. This will not protect against initial nuclear radiation, but may help in reducing flash burn.

Hold your curled-up position for at least 10 seconds. The immediate danger is then over.

(2) If in a Building or at Home:

Drop to the floor immediately with your back to the windows or open doorways.

Crawl underneath a desk, table, counter, etc. Such action will shield you against splintered glass due to the blast wave. It may protect you against flash burn, but not against deadly radiation if within the lethal range.

Avoid windows or doorways for at least one minute after the explosion, since the shock wave and resultant blast effects (falling debris, air shock, splintered glass, etc.) continue for some time after the explosion.

The safest places inside a building are the interior portions. Keep as close to these as possible.

Burns and Fires

It is emphasized that the atomic bomb is primarily an incendiary weapon. In Hiroshima and Nagasaki fire and burns accounted for approximately 50% of the total deaths. Management should prepare to take care of a great number of severe burn cases and firefighting equipment should be safeguarded by being placed in underground shelters or in heavy concrete structures above ground.

Protective Measures in Office and Factory

As to existing structures, some of the protective measures which may be taken include:

(1) An analysis of the structure would reveal the weak points, and steps should be taken to strengthen them. The AEC handbook, "The Effects of Atomic Weapons," suggests that "adding bracing and shoring or new transverse reinforced-concrete walls would, in general, be more feasible than strengthening the frame."

(2) Wire glass, plus half-inch-mesh wire screening securly nailed to window frames, is suggested as a partial measure of protection against splintered glass. Methods used for conventional bombs, such as pasting muslin over the surface of the glass, are ineffective with the A-bomb.

(3) Blast walls of reinforced concrete 12 inches thick and secured to keep from overturning will be effective in reducing damage to essential equipment such as transformers, generators, etc.

Protective Measures in New Construction

Where new buildings are contemplated, some of the advance protective measures include:

(1) Locate new buildings at least three miles from vital targets.

(2) Avoid extensive use, in new construction, of bricks and other loose facings, or large amounts of glass which become dangerous missiles in the blast, and which, as debris, serve to block the streets at a critical time.

(3) Vital above-ground plants with combustible contents should be housed in structures without openings.

(4) The fire equipment of an industrial plant should be housed in structures capable of withstanding the blast at about half a mile from the point of explosion. Underground construction or concrete walls two feet thick would provide this protection.

(5) Use fire-resistive design in all new construction.

Effects of Radiation Are "Overemphasized"

The nuclear radiation effect of an atomic blast has received the most publicity and has created widespread fear in the minds of American citizens. Management, the Board points out, can help allay these fears and short-cut wholesale panic that might add significantly to the confusion and loss of life. (Deaths from nuclear radiation accounted for only about 15% of the fatalities in the Japanese bombings.)

In terms of the immediate nuclear radiation from an atomic explosion, it is noted, protection may be gained in taking shelter immediately behind some structure or a pile of dirt within the second of seeing the atomic flash. "Since the lethal range (approximately 4,200 feet) is greater than the half-mile distance in which total destruction from the blast takes place, this action may save lives."

Residual radiation, "though not an immediate problem, may develop after the explosion. It occurs after the blast effect, flash burns, and initial nuclear radiation have taken their toll. Residual radiation is dangerous only if personnel are exposed to its effects over a period of time or if the radioactive particles should enter the body."

It is pointed out that there is one fundamental that must be understood in regard to any attempt to reduce residual radiation. That fundamental is: "When you rid surfaces, clothing, or objects of radioactive particles it does not destroy this radioactivity; it only transfers it from one place to another. It is therefore important that arrangements be made prior to decontamination for the disposal of the radioactive wastes. Deep burial in the ground or at sea is the safest."

Other Precautionary Measures

The list of protective measures also includes steps to be taken in dealing with residual radiation as it affects personnel, food and water, clothing, equipment and buildings as well as the general plant area. Shelter construction (with provision for lighting, ventilating equipment, first-aid equipment, emergency rations, drinking water and other necessary facilities) is also discussed.

These measures and further technical information are developed more fully in a forthcoming study soon to be released by the Board. In the interest of the public welfare, the study will be made available to the public by the Board. Normally, the Board's studies are distributed only to its associates.

An unusual device to be included in the full report is an acetate insert sheet showing the effects of fire, blast and nuclear radiation at given distance from ground zero (detonation point) of both an atomic air burst and an underwater explosion. Local maps may be photostated to the same scale as on this acetate sheet and management can then judge the effects of a possible atomic blast on their plant or community.

The study, "Executive Planning —If An A-Bomb Falls," was prepared by R. Maxil Ballinger of the Board's Division of Business Practices.

Halsey, Stuart Group Offers Seaboard Air Line Equip. Trust Ctfs.

Halsey, Stuart & Co. Inc. and associates are offering $3,570,000 Seaboard Air Line RR. equipment trust series H 2⅜% equipment trust certificates maturing annually Sept. 1, 1951, to Sept. 1, 1965, inclusive. Issued under the Philadelphia Plan, the certificates are being offered, subject to approval of the Interstate Commerce Commission, at prices to yield from 1.50% to 2.625%, according to maturity.

Proceeds from the sale of the certificates will be used to provide for the following standard-gauge railroad equipment estimated to cost approximately $4,783,511: 14 1000 h.p. Diesel yard switching locomotives; 500 70-ton all steel covered hopper phosphate cars.

King Merritt Adds

(Special to The Financial Chronicle)

ST. CLOUD, Minn.—Donald E. Martini is with King Merritt & Co., Inc., 1616 St. Germain.

Connecticut Brevities

Hartford Rayon Corporation has developed and is marketing a hollow filament type rayon yarn, known as Featheray. The outstanding feature of the new yarn is its light weight and softness. The diameter of this cylindrical filament is about 2½ times the normal for a similar weight yarn. The new yarn is believed to be particularly valuable where extreme fullness and a soft fabric is desired.

* * *

Russell Manufacturing Company has purchased the physical assets of Grip-Tex Manufacturing of Fall River, Mass. The equipment will be moved to the main plant at Middletown and to the new branch plant at West Columbia, South Carolina. The new facilities will enable the company to produce a larger proportion of its requirements of elastic yarns. Wide elastic tape will be produced at Middletown and narrow elastic webbing at West Columbia. Russell recently opened its Bennettsville, S. C., plant, which is being used to manufacture venetian blind tape.

* * *

Directors and stockholders of **J. B. Williams Company** and **Conti Products Corporation** of Brooklyn, N. Y., have voted to merger the two firms. Williams, the surviving company, will acquire all the assets of Conti, makers of soaps and shampoos, and contemplates the eventual transfer of its operations to Glastonbury. Stockholders of Conti will receive 50,000 shares of J. B. Williams common stock and a little less than $600,000 of debenture bonds due June 1, 1965.

* * *

Taylor and Fenn Manufacturing Company has sold its plants in Hartford. The company is building a new plant in Windsor and expects to move its operations from one of the present plants by Dec. 1 and from the other during the latter part of February.

* * *

Directors of **Bristol Brass Corp.** have voted to call a special stockholders meeting the latter part of August to vote on a proposal to pay a stock dividend of two additional shares for each three shares held. The present capitalization consists of 150,000 shares of $10 par stock on which quarterly dividends of 30 cents are being paid. The new capitalization would consist of 250,000 shares on which directors anticipate paying quarterly dividends of 20 cents.

* * *

The Connecticut Public Utilities Commission has authorized **Noroton Water Company** to sell $450,000 of first mortgage 2¾% bonds series A, due July 1, 1975, and a promissory note in the amount of $200,000 payable July 1, 1953, and bearing interest at the rate of 3.90% a year. The proceeds will be used to call the series A 4% bonds of 1962 in the amount of $200,000 and to pay bank notes amounting to $250,000. The balance will be used for new plant additions.

* * *

At the request of the Navy and the Air Force the Hamilton Standard division and the Pratt & Whitney division of **United Aircraft** will expand their production of propellers and motors. Operations have been placed on a three shift schedule, seven days a week and employment will be gradually increased. Increased orders have been received for both the Wasp Major piston engine and the J-42 turbo Wasp, a jet engine.

* * *

Aspinook Corporation announces the private placement of $4,000,000 of 4% sinking fund debentures, due July 1, 1965.

* * *

Cheney Brothers of Manchester is one of the companies that has been selected by the Air Force to produce parachutes. Production will begin as soon as possible.

* * *

Purchase of the Atwood division plant of Universal Winding Company by **Hartford-Empire Co.** has been announced. The plant, which is located at Stonington, will be reconditioned for production of plastics and other products. Empire will continue operation of the present foundry department.

Halsey, Stuart Group Offers C. & O. Ry. Eq'ts.

Halsey, Stuart & Co. Inc. and associates on Aug. 10 publicly offered an issue of Chesapeake & Ohio Ry. $5,370,000 2⅜% serial equipment trust certificates, to be dated Sept. 1, 1950, and to mature $179,000 semi-annually from Mar. 1, 1951 to Sept. 1, 1965, inclusive. They were priced to yield 1.40% to 2.625%, according to maturity, and issuance is subject to authorization by the Interstate Commerce Commission. The certificates were awarded to the group on Aug. 9 on its bid of 99.3843.

The proceeds are to be issued to finance, in part, the purchase of nine road freight locomotives and sixteen transfer locomotives at an aggregate estimated cost of $6,772,462.

Harris Upham Adds

(Special to The Financial Chronicle)

LOS ANGELES, Cal. — Neil Crane is now with Harris, Upham & Co., 523 West Sixth Street.

Kirkpatrick-Pettis Adds

(Special to The Financial Chronicle)

OMAHA, Neb. — Howard K. Loomis has joined the staff of Kirkpatrick-Pettis Co., Omaha National Bank Bldg.

Observations on Economic Mobilization

By LEON HENDERSON*

Director of Research, Jewelry Research Foundation
Formerly Head, Office of Price Administration

Although not anticipating all-out freeze of the economy because of current crisis, former OPA chief foresees probable cut-backs and quotas in automobiles and durable mechanical household appliances, because of war armament expenditures. Says, however, military demands, if not increased beyond present scale, can be met from expanding production. Looks for stingent credit controls and warns longer roll-back of prices is delayed, the more difficult it will be to implement it. Finds present supply of food and raw materials adequate.

Introduction

Many people are saying of the present emergency "this is where we came in." As far as the state of the national economy at its high level of activity. It could be said "this is where we left off."

Leon Henderson

It will be noted that the following pages contain observations, and not recommendations. They are intended, however, to help in some way as the basis of individual judgment. It is hoped later, when the pattern of mobilization is clearer, to present some guides to members of the jewelry industry.

Obviously, the greatest factor in decision involves a guess as to how large the defense effort will bulk in future national life. A good rule today is to consider doing those things which, if not done, would cause disaster if an all-out effort were required. There will be time for other judgments.

General

Everyone is asking "What's going to happen in mobilization?" One thing seems clear: the pattern is changing weekly. Earlier it seemed as if there would be no new tax bill until the last two months of 1950 or the first two months of 1951. Earlier the President did not ask for price and wage control authority. The decision to be made now is as to type of such controls, and speculation as to when they will be put in force.

Determination as to how great will be the military program does not lie entirely with our government. Russian potential of choice, as well as her actual course of action, is the main factor, and it is to her advantage to keep the United States off balance, while we are using up precious resources.

Jim Forrestal used to say "If you want a short war, prepare for a long one." But just as in 1940 and 1941 there was no outright declaration of war, the programming today is conditioned by many uncertainties. The administration evidently has taken a calculated risk that Russia will not provoke all-out war.

As a basis for appraisal of the impact of mobilization on the national economy, we can assume that the Korean matter will use up or cripple most of our present reserve for ground and air force use, that potential hot spots like Formosa require hasty preparation of new pools of such resources, and that the longer view requires another substantial stockpile of armament already approved for battle use. This will require at least $35 billion expenditure in the next year, of which $20 billion is new. But of the new expenditure, a smaller percentage will be spent for "housekeeping" and more for "hardware," which means a bigger drain on metals, materials, and critical items.

Such a program might require 15% of our gross national production, but if this were spread evenly over the economy, it could be easily absorbed through diversion and step-up in production. But the 15% bite translates into more substantial precentages of certain materials, and controls are then in order because buying power in specific areas is sharply increased. No war of importance is ever financed on a pay-as-you-go basis. It's possible to envision an "inflationary gap" of $30 billion in the calendar year of 1951.

Government Organization for Control

The National Security Resources Board's authority and power, which are related to mobilization planning, were transferred to the Chairman, who is Stuart Symington, early in July. Earlier in its life the NSRB had prepared an Emergency Mobilization Plan—1949, but it did not fit the Korean emergency of 1950. As a result, the program will be developed piecemeal, with many shifts in format. This is not necessarily fatal; provided the next step ahead is planned. The NSRB has available the excellent historical studies which were made of World War II experience with control. It has its own studies and those of the Munitions Board and the Army Industrial College.

Symington's organization and the Munitions Board have helped all important industries to form representative committees, but only a small percentage of these will be called for consultation in the next few months.

Above all, only five years have elapsed since the last "garrison state," and more personal knowledge of techniques and mechanisms is at hand.

The choice to date has been to use peace-time agencies, such as the Departments of Labor, Interior, Agriculture and Commerce, for operation of the new controls. It is likely that these control functions will be operated independent of regular departmental duties, so that the emergency functions could be transferred readily to an emergency top-authority, if occasion required. The likelihood, too, is that the occasion will so require. Priorities, limitation and set-aside orders lead to scrambling, and scrambling leads to price increases. Unless the planning is along commodity lines, instead of the functional lines as in the recent war, the necessity for over-all policy making and umpiring will soon emerge.

In the early stages there will be considerable reliance on industry committees, from those industries whose products are being allocated. Better performance from such committees can be anticipated in this emergency, with the help of the Business Advisory Council, whose membership currently includes many businessmen with war-time control experience.

Another factor to be considered is the speed of conversion. While the present state of preparedness falls short of that existent at the time of Pearl Harbor, most of the industries on which heavy burdens will fall are prepared for faster turnaround and the very fact that they are operating at capacity levels argues for faster delivery schedules.

The argument for a single super-agency for operations is often carried too far. Some agency similar to the Office of War Mobilization and Reconversion seems indicated within a year. It need not have full operating responsibility, if it has central authority. It can use clusters of related operating functions, and still keep coordination of policy and effort, particularly if direct control over the priority power and requirements are retained. Until such a top agency is required, the President will make the decisions, utilizing the National Security Resources Board and the National Security Council for policy determinations, and the experienced Mr. Averill Harriman.

Controls

Attention has been focused recently by debate in Congress on new legislation granting direct authority to the Chief Executive to control the flow of materials, prices, wages, rationing, etc.

We should not lose sight of two other pools of power which are available under declaration of an emergency, in addition to the authority of cabinet departments and administrative agencies.

The first pool contains the explicit and implicit powers of the President to act in emergencies. These were extensively utilized before Pearl Harbor by executive orders.

The second pool contains those special measures which were not repealed after the end of World War II. A good example is the control of exports.

Taken together, the three sets of powers, despite refusal by Congress to grant control over certain areas, embrace plenty of authority, but do not answer the question of how extensively they will be used. Statisticians use "multiple correlation anaylsis" and obtain good results in predicting futures involving many factors. No such tool of forecasting is available as to use of controls.

The advocates of immediate over-all freeze seem unlikely to prevail. The Administration plans now to proceed with selective controls and cutbacks, evidently feeling that the burden of the new program can be carried with the help of indirect controls, such as heavier taxes, bond sales, and exhortation. It is argued that an over-all freeze would necessitate an administrative-enforcement agency which would require months to build, plus control of high profits through excess profits tax and contract renegotiation. Plans for these are already under way.

The Administration seems to be planning to show, by example, that it has power to control, and hopes the example will be sufficient in most cases.

The use of allocation power will probably be scanty for a time, with limitation orders on rubber, electronics, benzene and related products, and some metals receiving first attention. Some type of inventory ceilings are plainly indicated, with perhaps some recapture of excessive inventory at various stages from manufacturing on down. Also some selective price controls are in the wind. Since reduction in demand for autos, appliances, homes, etc., are expected from curtailment of credit, a tougher policy can be expected in credit controls. As of now, the prospect of food price and rationing controls is dimmed by congressional limitations on price freezing, as well as limitation on the sale of surpluses of commodities below parity provisions.

Supply

The physical supply of practically all items of food, metals, fibres and chemicals is adequate for an orderly imposition of the new program on a high-level civilian production. The recent increase in program could mostly be taken care of through expansion and the expected increase in imports. A good appraisal must wait a few months to take note of the results of current hysteria, however.

Food: The total supply in sight is larger than the nation is likely to consume, and could be readily stepped up. There is no present indication that we will need again to feed 12 million men under arms, and send vast supplies to foreign countries. And hoarding ironically reduces the rate of current consumption because of a more gingerly use of those products.

Clothing: Beyond a shift in some types of fabrics, the demands of even an armed force of 2.5 million should not cause other than spotty dislocation.

Metals: Most estimates by responsible sources are agreed that the new program will make its greatest imprint on minerals and metals. Yet no analysis suggests that a complete allocation of supply is required, and this is more important than details of the drain on individual minerals and metals because until general shortage occurs substitution for individual shortages is readily possible.

With few exceptions, the markets have withstood pressure fairly well. The big rush, of course, has been to increase plant inventories, which were low in relation to orders and shipments. If there are cutbacks in the automobile and durable consumer goods industries soon, and *forward* commitments on new construction are reduced, the slow rate of increased consumption of metals in the next several months could be handled without undue strain. Steel, for example, uses only 2% of its capacity for military needs now, and a year may pass before 10% is required. Auto production alone now uses about 20%.

Overall supply, for the next nine months will not be greatly affected by military demands. It is important to keep this point in mind, because the degree of control will depend upon the actions of civilian buyers. In addition to inventory-lengthening by business

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*A paper presented by Mr. Henderson before the American National Retail Jewelers Association, New York City, Aug. 15, 1950.

Mutual Funds

By ROBERT R. RICH

Funds Clear Decks For Action After SEC Policy Released

Mutual funds are operating at full steam in the preparation of new sales literature which will conform to the recently released Statement of Policy prepared by the Securities and Exchange Commission. The Statement, which was a result of nearly a year of labor and exhaustive review of 5,000 samples of sales literature, sets forth a series of specific restrictions governing the preparation and handling of investment company sales literature by issuers, underwriters and dealers.

Many Funds have held sales promotion production in abeyance until the Policy Statement was released, and now, in many cases, revisions are complete and new sales kits are on their way to dealers.

Tons of papers and thousands of pieces of sales literature will have to be scrapped as a result of the definitive criteria set forth by the Commission. As one example, the term "dollar averaging" is now considered objectionable, and it will have to be replaced by terms like "dollar cost averaging," to which the SEC does not at the present time object.

The Statement is studded with "weasel words" which can only be interpreted as the SEC desires that they be interpreted, since the words and phrases are by their very nature completely vague.

Words and phrases like "materially misleading," "imply," "any factor necessary to make the comparison fair," "may be violative," "literature designed to be employed," and the like, will certainly necessitate clarification with respect to specific pieces of sales literature.

Joseph Welch, Executive Vice-President of Wellington Fund and a member of the National Association of Security Dealers' committee which collaborated with the SEC in preparation of the Statement, commented that he had every hope for the new policy. "For the first time," he said, "we in industry know what we can do and what we cannot do." He remarked, however, that some interpretation will be necessary, and several clarifying letters may have to be issued by the SEC.

Most characteristic of the new Statement was the list of 27 "dont's" which apply to the preparation and distribution of sales material.

Most important from a dealer standpoint, Mr. Welch thought, was section A, which deals with the rates of return on mutual fund shares. [*Editor's note: Full text of the Statement of Policy is given on page 15 of this issue of "The Chronicle."*]

This section specifies that "rates of return shall be expressed only as a ratio of dividends paid from net investment income and net accrued undivided earnings included in the price of capital shares issued and repurchased, in each case as required to be shown in the issuer's prospectus (for one or more immediately preceding full fiscal years separately stated) to both (1) a stated price determined by computing an average of offering prices, taken at monthly intervals, for the same period or periods, and (2) a stated and dated offering price, current at the date of publication, and shall be accompanied by a statement to the effect that such return is based upon dividends paid in the period covered and is not a representation of future results."

It is considered as possibly violative of statutory standards to combine into any one amount distributions from net investment income and distributions from any other source.

Dealers who are members of the NASD must file copies of their sales literature as well as their personal sales letters to customers with the NASD office in Washington. Ray Moulden of that office will examine all copies, and if he feels they are violative of the Statement, the dealer will be informed. The dealer may appeal to an NASD committee, and if it, too, regards the literature as violative, the dealer must accept their decision or have the case turned over to the SEC for possible prosecution.

Not included in the definition of sales literature is material originating with the sponsor which is directed to dealers only, unless such material is obviously designed to be passed on orally or in writing or shown to prospective customers.

The SEC noted that the question of future Commission policy with regard to the use of general institutional literature is still under study. It commented that a decision on this important question will be forthcoming in the future, after further conferences with industry.

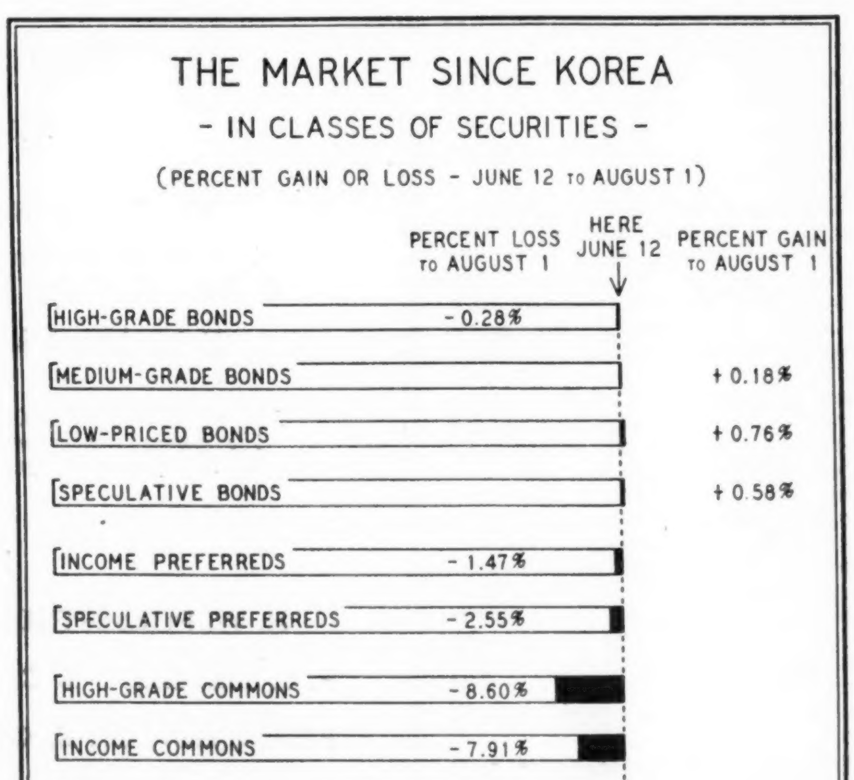
It is conjectured in industry circles that the Cashion or so-called Wiesenberger opinion may be scuttled in the process of these new conferences.

Keystone Analysis Shows Bond Classes At New Highs

Keystone Company, in its latest analysis, disclosed that some classes of securities have recovered all lost ground since the sharp market dip precipitated by the Korean crisis. By the first of this month the medium-grade, low-priced and speculative bond classes showed fractional gains of +0.18%, +0.76% and +0.58% respectively over prices prevailing at the stock market high of last June 12. High-grade bonds were only slightly off at —0.28%. Income preferreds, however, were off —1.47% and speculative preferreds —2.55%.

High-Grade Commons Off

High-grade commons showed the greatest arrearage at —8.60% with income commons not far behind at —7.91%. High-grade commons as a clss normally move up and down marketwise at about the same speed as the Dow, Jones Industrial Average which was, itself, off —8.30%. Appreciation commons at —1.80% and speculative commons at —2.85% showed abnormally small losses compared to the other more stable classes of commons. Speculative commons, for instance, normally move about twice as fast marketwise as the Dow, Jones Industrial Average.



Manhattan Bond Fund Sets Record in July

Manhattan Bond Fund, Inc., investing only in bonds, reported the highest total net assets in its 12-year history on July 31, 1950. Total net assets on that date were $33,121,365.

In addition, Hugh W. Long and Company, New York, national underwriters of Manhattan Bond, revealed that the July, 1950 sales volume for shares of the Fund set a monthly record for the past three years. Dollar volume of Manhattan Bond Fund shares purchased by the public in July was twice the monthly rate for the preceding six months and two and one-third times that of July, 1949.

American Business Shares Asset Value Rises

American Business Shares, Inc., reports for the third quarter of its fiscal year net asset value of $3.95 per share as of July 31 compared with $3.61 a year ago.

Net realized security profits for eight months were $1,464,-854. After carrying over a net realized loss from last year of $239,349 there remains $1,225,505. Available security profits are distributed to shareholders at the end of the fiscal year.

Broad Street Tells Story of Income

Broad Street Sales' pamphlet, "The Story of Income" is particularly timely today, when new price increases have again cut into the investor's dollar. The pamphlet contains four well-designed bar charts illustrating the cost of living increase (and its reciprocal, the purchasing power of the dollar), the dollar value and "real income" for high-grade bonds, preferred stocks and Broad Street Investing Shares. The Fund comes out well on top in capital performance and income. In addition, there is a table of Annual Buying Power of Investment Income, with figures for every year from 1930 to 1949, with comparisons of income resulting from $100,000 invested in Broad Street Investing and the Dow, Jones average. Broad Street outperforms the average for every year. Return in 1949 is 5.02%, compared with the Dow, Jones Average's return of 3.59%.

Knickerbocker Fund Sales Kit Popular

Knickerbocker's six-piece sales kit is presenting investor reading matter which is as well organized as a sales talk and should give dealers strong support. The kit contains a prospectus, a pamphlet entitled "How Your Dollars Are Invested," a folder on "Why We Recommend Mutual Funds," a booklet, "Factors and Information About Knickerbocker Fund," which includes a brief history of investment companies, a chart illustrating bull market intermediate corrections and a table comparing its behavior during the Korean outbreak with that of other funds. (Its performance was considerably better than average.) All of this material is tucked into an open-end envelope as handy as a wallet.

Distributors Group Analyzes War-time Stock Behavior

In order to satisfy the investors' demand for information on war-time stock behavior, Distributors Group has prepared a table showing percentage changes of its five funds and seventeen Industry Classes for five separate time periods from September, 1939 to May 29, 1946. The percentage changes are compared with the net changes of Dow-Jones Industrials over the same time period analysis.

Hare's Pamphlet Stresses Purchasing Power Protection

E. Waln Hare, Vice-President of Hare's Ltd., reports that their pamphlet on "Purchasing Power Protection" is becoming increasingly popular with dealers. The cover of the pamphlet carries the statement, "Money being solely a means of exchange, its value at any time is simply the amount of

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SEC Issues Code Governing Advertising And Selling of Investment Trust Shares

"Statement of Policy," prepared after review of advertising and sales literature, applies both to specific investment company securities and to institutional advertising relating to investment company securities generally.

The Securities and Exchange Commission on Aug. 14 made public a "Statement of Policy" with respect to the use, form, and content of sales literature and advertising employed by dealers and underwriters in the sale of investment company securities.

This Statement of Policy, according to the SEC, was prepared with the cooperation of the National Association of Securities Dealers, Inc., after an exhaustive review of some 5,000 samples of advertising and sales literature. Dealers and underwriters engaged in promoting the sale of investment company shares voluntarily submitted the material for the joint examination and appraisal.

The Commission emphasized that this "Statement of Policy" is directed not only at advertising and sales literature relating to specific investment company securities, but also at institutional advertising and sales literature relating to the industry or to investment company securities generally.

The question of future Commission policy with regard to the use of general institutional literature, it is stated, is still under study, the Commission said. A decision on this important question will be forthcoming in the future, after further conferences with the industry.

The NASD has advised the Commission that it will assist in carrying out this Statement of Policy as a measure of self regulation. It is contemplated, therefore, that the NASD, in line with recommendations of the Commission, will interpret its Rules of Fair Practice to conform to the Statement of Policy.

The full text of the SEC "Statement of Policy" follows:

SECURITIES AND EXCHANGE COMMISSION
Washington, D. C.

STATEMENT OF POLICY

The Securities and Exchange Commission with the assistance of the National Association of Securities Dealers, Inc., has reviewed samples of advertising and supplemental sales literature used in the sale of investment company shares, much of which was not filed with this Commission. This review has revealed the existence of many practices in connection with the use, form and content of certain advertising and sales literature which, in the opinion of the Commission, may violate the Securities Act of 1933 and the Investment Company Act of 1940. The Commission, therefore, deems it necessary and appropriate to set forth a Statement of Policy so that issuers, underwriters and dealers may understand certain of the types of advertising and sales literature which the Commission considers may be violative of the statutory standards. It should be emphasized that the following Statement of Policy does not attempt to cover all possible abuses, and that literature which complies with this Statement may not be used if it is in fact misleading. Conversely, nothing in this Statement of Policy is intended to prevent the use of factual statements, fairly presented, concerning fundamental investment policies and objectives, investment restrictions or other characteristics of a particular investment company.

"Sales literature" as used hereafter shall be deemed to include any communication (whether in writing, by radio or by television) used by an issuer, underwriter, or dealer to induce the purchase of shares of an investment company. Reports of issuers to the extent they are transmitted to shareholders and do not contain an express offer are not deemed to be "sales literature" within the meaning of this definition but shall conform to this Statement of Policy. Communications between issuers, underwriters and dealers are included in this definition of "sales literature" only if such communications are passed on either orally or in writing or are shown to prospective investors or are designed to be employed in either written or oral form in the sale of securities.

For the purpose of interpreting this Statement of Policy a piece of sales literature shall be deemed materially misleading by reason of an implication, as contemplated herein, if such sales literature includes (1) an untrue statement of a material fact or (2) omits to state a material fact necessary in order to make a statement made, in the light of the circumstances of its use, not misleading.

It will be considered materially misleading hereafter for sales literature:

Return

(a) To represent or imply a percentage return on investment in the shares of investment companies, except in accordance with the following principles:

Rates of return shall be expressed only as a ratio of dividends paid from net investment income and net accrued undivided earnings included in the price of capital shares issued and repurchased, in each case as required to be shown in the issuer's prospectus (for one or more immediately preceding full fiscal years separately stated) to both (1) a stated price determined by computing an average of offering prices, taken at monthly intervals, for the same period or periods, and (2) a stated and dated offering price, current at the date of publication, and shall be accompanied by a statement to the effect that such return is based upon dividends paid in the period covered and is not a representation of future results. Either in the same text, or by reference in the same text to an historical table elsewhere in the same piece of literature, there must be shown the per-share asset value at the beginning and end of the period, or the increase or decrease (stated in percentage) in asset value.

(b) (1) To combine into any one amount distributions from net investment income and distributions from any other source.

(b) (2) To represent or imply an assurance that an investor will receive a stable, continuous, dependable, or liberal return or that he will receive any specified rate or rates of return.

Safety of Capital

(c) To represent or imply an assurance that an investor's capital will increase or that purchase of investment company shares involves a preservation of original capital and a protection against loss in value. To discuss accumulation of capital, preservation of capital, accumulation of an estate, protection against loss of purchasing power, diversification of investments, financial independence or profit possibilities without pointing out or explaining the market risks inherently involved in the investment.

Government Regulation

(d) To make any reference to registration or regulation of any investment company under Federal or state authority without explaining that this does not involve supervision of management or investment practices or policies.

Protection of Investors

(e) To represent or imply that services of banking institutions as custodian of securities, transfer agent, or dividend disbursing agent, provide protection for investors against possible depreciation of assets or that such institutions maintain any supervisory function over management in such matters as purchase and sale of portfolio securities or payment of dividends or provide any trusteeship protection, or to fail to state the extent of the limited role of the custodian whenever the advantages of custodial services are discussed.

Redemption

(f) To state or discuss the redemption features of investment company shares without explaining in such statement that the value of the shares on redemption may be more or less than the investor's cost, depending upon the market value of the portfolio securities at the time of redemption.

Comparisons Generally

(g) (1) To represent or imply that shares of an investment company are similar to or as safe as government bonds, insurance annuities, savings accounts or life insurance, or have the fixed income, principal, or any other features of a debt security.

(2) To represent or imply that the management of an investment company is under the same type of investment restrictions or is operated under limitations similar to or has fiduciary obligations such as those imposed by governmental authorities on savings banks and insurance companies, except to the extent that it is so restricted or limited by its statement of policy on file with this Commission.

Comparisons With Market Index On Other Security

(h) To use any comparison of an investment company security with any other security or medium of investment or any security index or average without pointing out:

(1) that the particular security or index or average and period were selected; and

(2) that the results disclosed should be considered in the light of the company's investment policy and objectives, the characteristics and quality of the company's investments, and the period selected; and

(3) any factor necessary to make the comparison fair.

(i) To represent or imply that investment companies in general are direct sources of new capital to industry or that a particular investment company is such a source unless the extent to which such investments are made is disclosed.

Performance Charts

(j) To use any chart designed to depict the record of an investment company over a specific period of time which is contrary to the principles set forth in the Commission's announcement of April 2, 1948, in Investment Company Act Release No. 1160 and Securities Act Release No. 3281, as modified by a letter dated Oct. 25, 1948, from the NASD to the SEC and a letter dated Nov. 4, 1948, from the SEC to the NASD.

Management Claims

(k) To make any extravagant claims regarding management ability or competency.

(l) To represent or imply that investment companies are operated as, or are similar to, "co-operatives."

(m) To represent or imply that investment company shares generally have been selected by fiduciaries.

Continuous Investment Programs

(n) (1) To use the phrase "dollar averaging" or "averaging the dollar" (although the phrases "dollar cost averaging" or "cost averaging" are not objectionable) in referring to any plan of continuous investment in the shares of an investment company at stated intervals regardless of the price level of the shares;

(2) To discuss such a plan of continuous investment in the shares of investment companies, without making clear:

(i) that the investor will incur a loss under such a plan if he discontinues the plan when the market value of his accumulated shares is less than his cost; and

(ii) that the investor is investing his funds primarily in securities subject to market fluctuations and that the method involves continuous investment in such shares at regular intervals regardless of price levels; and

(iii) that the investor must take into account his financial ability to continue such a plan through periods of low price levels; and

(iv) that such plans do not and cannot protect against loss in value in declining markets.

(3) To use any table depicting the operation of a plan of continuous investment unless such table is based on the actual offering prices of the shares of the investment company and includes the total cost and liquidating value of the investment at the end of each year or any shorter period shown in the table.

Sales Charges

(o) To fail to include in any sales literature which does not state the amount or rate of the sales charge (excepting letters to shareholders, and business letters to persons which have been preceded or accompanied by an effective prospectus, and communications between issuers, underwriters and dealers which deal only with routine business matters and which do not purport to describe the characteristics of an investment company) the following statement in a separate paragraph in type as large as that used generally in the body of the piece:

"There is a sales charge to the investor included in the offering price of the shares of this company (or name of company). For details thereof and other material information, see the prospectus."

(p) To fail to include in any sales literature which is designed to encourage investors to switch from one investment company to another, or from one class of security of an investment company to another class, the substance of the following statement in a separate paragraph in type as large as that used generally in the body of the piece:

"Switching from the securities of one investment company to another, or from one class of security of an investment company to another, involves a sales charge on each such transaction, for details of which see the prospectus. The prospective purchaser should measure these costs against the claimed advantage of the switch."

Industry Performance Against Company Performance

(q) To represent or imply that the performance of any particular company may be measured by or compared with or related to the performance of a particular industry unless the extent and scope of the portfolio of the particular company is such that its performance will generally approximate that of the industry.

Reprints

(r) To employ material in whole or in part from published articles or documents descriptive of or relating to investment companies unless such material, or the literature including such material, complies with this Statement of Policy and in addition such material is not taken out of context in a manner which alters its intended meaning.

Fred Zahn Joins Staff Of Marache Sims Co.

(Special to THE FINANCIAL CHRONICLE)

LOS ANGELES, Cal.—Fred E. Zahn has become associated with Marache Sims & Co., 634 South Spring Street, members of the Los Angeles Stock Exchange. He was formerly an officer of Fewel & Co.

William M. Carley With Link, Gorman, Peck Co.

(Special to THE FINANCIAL CHRONICLE)

CHICAGO, Ill. — William M. Carley has become associated with Link, Gorman, Peck & Co., 203 South La Salle Street, members of the Midwest Stock Exchange. Mr. Carley, who in the past conducted his own investment business in Chicago, has recently been with Chesley & Co. and Webber, Simpson & Co.

S. A. Sandeen Co. Adds

(Special to THE FINANCIAL CHRONICLE)

ROCKFORD, Ill. — David E. Whitcher is with E. A. Sandeen & Co., Talcott Bldg.

Joins Paine, Webber

(Special to THE FINANCIAL CHRONICLE)

DETROIT, Mich—Herschel C. Bearden is with Paine, Webber, Jackson & Curtis in their office in the Fisher Bldg.

Bank and Insurance Stocks

By H. E. JOHNSON

This Week—Insurance Stocks

Additional operating statements for the first six months of the current year have been released by some of the major fire and casualty insurance companies.

While the underwriting results in most cases are not so favorable as they were last year, profit margins are generally satisfactory. Investment earnings, on the other hand, showed impressive gains. The principal factors contributing to the improvement have been the larger volume of funds available this year and increased dividend distributions on equity holdings.

This increase in investment income is especially significant as historically it has been one of the primary determinants of dividend policies. With the gains shown so far this year and prospects favorable for further improvement in this segment of the business, indications are that there will be a number of dividend increases during the remaining months of 1950.

Among the companies to report operating results for the first six months are the following:

Aetna Insurance Co.—For the first half of the current year Aetna reported premium writings of $28,810,446 up slightly from the $28,351,093 reported in the similar period of 1949. The unearned premium reserve was higher by $1,351,740, and for the six months ended June 30 premiums earned totaled $27,458,706. This compared with premiums earned of $27,055,937 in the previous year.

Losses incurred during the 1950 period were somewhat higher, amounting to $12,784,456 as against $11,181,775 last year. Expenses were also slightly higher totaling $12,847,956 in the first half of 1950 compared with $12,418,919 in the similar period of 1949.

The net result of these various changes was an underwriting profit for the six months ended June 30, 1950 of $1,826,293 as against $3,421,003 in the corresponding period of last year. Underwriting profits were equivalent to 6.65% of premiums earned in 1950 and 12.64% in 1949. While the drop in margins is sharp, the current figure compares with a historical underwriting margin for a selected list of fire companies of around 5%.

The improvement in investment income was modest, increasing from $1,112,503 in 1949 to $1,212,941 in the six months ended June 30 this year.

Combined gains for the period from underwriting and investments thus totaled $3,039,234 and compared with $4,533,506 in the similar months of 1949. Federal tax liabilities reflected the lower underwriting earnings and amounted to $1,040,000 against $1,470,000. Net profit for the period after taxes was equal to $1,999,234 in the first half of 1950 and $3,063,506 in the comparable period of 1949.

On the basis of the 1,000,000 shares of stock outstanding per share earnings would amount to $2 for 1950 and $3.06 in 1949. If 40% of the increase in the unearned premium reserve is also included in the total earnings they would amount to $2.54 a share in the six months ended June 30 and $3.57 for the same period of 1949.

St. Paul Fire & Marine Ins. Co.—For the six months ended June 30 St. Paul Fire & Marine reported a small decline in net premiums written. The total for the period was $21,795,906 as against $22,801,319 in the corresponding months of 1949. The unearned premium reserve was higher by $510,274 and $1,221,661 respectively. Premiums earned were slightly lower amounting to $21,285,632 for the first six months of 1950 and $21,579,658 in 1949.

The statutory underwriting results reflected the trend of higher losses and expenses. Underwriting gain amounted to $2,124,228 in the 1950 period and $2,704,377 in 1949.

The investment income was substantially higher increasing by $541,273 or over 40%. The total for the first six months of 1950 amounted to $1,773,477 as compared with $1,232,204 in the 1949 period.

Combined gains from underwriting and investment before Federal taxes amounted to $3,897,705 for the first half of this year and were almost equal to the $3,936,581 reported in the same period of 1949.

The lower underwriting profits, however, reduced the Federal tax liability from $1,148,047 in 1949 to $782,171 in the first six months of this year. The net income from operations after taxes was thus higher in the 1950 period and amounted to $3,115,534 as compared with $2,788,534 in the first half of 1949.

On the basis of the 800,000 shares of capital stock outstanding, per share results were equivalent to $3.89 in 1950 and $3.49 in 1949. Adding the 40% equity in the increased unearned premium reserve the earnings would be equal to $4.14 a share in the six months of this year as against $4.10 a year ago.

ECA Guarantees Parke, Davis & Co. Investm't

Contract covering $420,000 made with firm's London branch to enable conversion into dollars.

The signing of an industrial guaranty contract with Parke, Davis & Co., Detroit, covering an investment of $420,000 made in the firm's London branch, was announced on Aug. 10 by the Economic Cooperation Administration.

Under the guaranty, Parke, Davis & Co. will be able to convert into dollars its foreign currency receipts on the investment of a total of $735,000, a figure which includes the investment of $420,000 plus an earnings increment of $315,000.

Company assets to be invested include cash or machinery and equipment for the manufacture of pharmaceutical chemicals. Parke, Davis & Co. for 60 years has had a branch and laboratory near London engaged in the manufacture, sale and distribution of an extensive line of products. It is now preparing to erect and equip a new plant on company-owned land for the manufacture of pharmaceuticals, principally Chloromycetin.

Chloromycetin has not heretofore been produced in quantity in the United Kingdom. The project is expected to increase the present inadequate domestic supply there without using dollars. It also will create exports for Europe, South Africa and the Near East with consequent beneficial effects on the health in those areas.

Urge Prompt Action for Higher Taxes & Controls

Sixty-five economists say if adequate action is taken, grave wrongs of inflation can be avoided.

Sixty-five leading economists from all over the United States, taking stock of the impact of the Korean war on the American economy, today (Aug. 9) urged Congress and the executive agencies to take the following immediate anti-inflation steps:

Immediate increased taxation to cover the rise in expenditure and to balance the budget.

Adequate restraints on consumer and construction finance, in addition to existing monetary authority.

"Payment of government expenses out of income instead of the printing press, and monetary restraint on civilian consumption, together, can protect the country from the woes of inflation and thus conserve its strength for use against the evils of aggressive tyranny," the economists said.

In issuing the 269-word joint statement, the 65 business and university economists spoke, not for their institution, but as individual professional men and citizens. The unusual concerted move was made, the group said, because they felt the need to "speak up promptly and clearly" about the risks of inflation.

Inflation is a "grave wrong and danger" that hits hardest at "the most helpless members of society," they said.

"It causes dissension and diminishes the incentive to work. It weakens the productive system and so impairs both economic and military power. It imperils economic stability and progress in the peace for which we struggle. It is an unmitigated tragedy."

America, they asserted, need not suffer the "abomination of inflation." The American economy "can provide a very high standard of living and a very large increase in military outlay without degradation of the dollar." But the major requirements to offset inflation are "clear and unmistakable."

Following is the text of the statement and the names of the signers in alphabetical order:

"Communist aggression requires that free men and women expand military forces and supplies to a much higher level for a long time ahead. Enlarged outlays for defense superimposed on a boom will, unless offset, cause inflation. Inflation is a grave wrong and danger. It hurts most the most helpless members of society—the widows, the orphans, the aged, the pensioners, the annuitants, the disabled. It causes dissension and diminishes the incentive to work; it weakens the productive system and so impairs both economic and military power. It imperils economic stability and progress in the peace for which we struggle. It is an unmitigated tragedy.

"The United States need not suffer this abomination of inflation. This economy can provide a very high standard of living and a very large increase in military outlay without degradation of the dollar. Failure to take action to prevent inflation would be inexcusable.

"The necessary action is clear and unmistakable. There may be differences over details, but there can be none over the major requirements. Taxes must be increased, at once, to cover the rise in expenditure fully and to balance the budget. Adequate control powers over consumer finance and construction finance should be added to existing monetary authority. Payment of government expenses out of income instead of the printing press, and monetary restraint on civilian consumption, together, can protect the country from the woes of inflation and thus conserve its strength for use against the evils of aggressive tyranny.

"We, the undersigned economists, urge prompt, persistent, and adequate action by Congress and the executive agencies."

EUGENE E. AGGER
Prof. of Economics, Rutgers University.

JAMES W. ANGELL
Prof. of Economics, Columbia University.

H. B. ARTHUR
Economist, Swift & Co.

G. L. BACH
Prof. of Economics, Carnegie Institute of Technology.

WILLIAM C. BAGLEY, Jr.
Assoc. Prof. of Economics, Rutgers University.

B. H. BECKHART
Prof. of Banking, Columbia University.

ELLIOTT V. BELL
Chairman of the Executive Committee, McGraw-Hill Publishing Co.

CLAUDE L. BENNER
President, Continental American Life Insurance Co.

W. R. BIGGS
Vice-President, Bank of New York.

COURTNEY C. BROWN
Asst. Manager of Coordination and Economics Dept., Standard Oil of N. J.

W. RANDOLPH BURGESS
Chairman of Executive Committee, National City Bank.

ARTHUR F. BURNS
Director of Research, National Bureau of Economic Research.

WILLIAM J. CARSON
Executive Director, National Bureau of Economic Research.

CLYDE R. CHAMBERS
Vice-President, Lehman Corp.

MILES L. COLEAN
Consulting Architect

C. S. COTTLE
Prof. of Business Administration, Emory University.

ANDREW T. COURT
Director of the Industrial Economics Section, General Motors Corporation.

W. W. CUMBERLAND
Partner, Ladenburg & Thalmann.

JOHN DAVENPORT
Editor, Barron's.

J. FREDERIC DEWHURST
Economist, 20th Century Fund.

STEPHEN M. DU BRUL
Executive in Charge, Business Research Staff, General Motors Corporation.

WILLIAM E. DUNKMAN
Prof. of Economics, University of Rochester.

LIONEL D. EDIE
President, Lionel D. Edie & Co.

ERNEST M. FISHER
Director, Institute for Urban Land Use and Housing Studies, Columbia University.

HAROLD G. FRAINE
Prof. of Commerce, University of Wisconsin.

EDWIN B. GEORGE
Director, Dept. of Economics, Dun & Bradstreet.

EARL J. HAMILTON
Prof of Economics, University of Chicago.

SEYMOUR E. HARRIS
Prof. of Economics, Harvard University.

RICHARD B. HEFLEBOWER
Prof. of Economics, Northwestern University.

HANS HEINEMAN
Kidder, Peabody & Co.

ALBERT J. HETTINGER, Jr.
Partner, Lazard Freres and Co.

GEORGE HITCHINGS

WALTER E. HOADLEY, Jr.
Economist, Armstrong Cork Co., Inc.

NEIL H. JACOBY
Dean, School of Business Administration, University of California.

FRANCIS C. JONES
Economist, Green Giant Company.

VIRGIL JORDAN
Chancellor, National Industrial Conference Board.

A. D. H. KAPLAN
Senior Member, Brookings Institute.

CHARLES P. KINDLEBERGER
Assoc. Prof. of Economics, Massachusetts Institute of Technology.

SIMON KUZNETS
Director at Large, National Bureau of Economic Research.

WALTER LICHTENSTEIN
Economic Consultant, formerly Vice-President (retired), First National Bank of Chicago.

FREDERICK C. MILLS
Prof. of Economics and Statistics, Columbia University.

WALTER MITCHELL, Jr.
Managing Director, Controllers Institute of America.

GEOFFREY H. MOORE
Assoc. Director of Research, National Bureau of Economic Research.

HOWARD B. MYERS
Research Director, Committee for Economic Development.

W. I. MYERS
Dean, New York State College of Agriculture, Cornell University.

MARCUS NADLER
Prof. of Finance, Research Director, Institute of International Finance, New York University.

RAGNAR D. NAESS
Senior Partner, Naess, Thomas & Thielbar.

JOSEPH L. NICHOLSON

JAMES J. O'LEARY
Director of Investment Research, Life Insurance Association of America.

ALLEN H. OTTMAN
Vice-President and Controller, American Hard Rubber Company.

JACK H. RIDDLE
Vice-President, Bankers Trust Company.

ALEXANDER SACHS
Consulting Economist.

R. J. SAULNIER
Head of Financial Research Program, National Bureau of Economic Research.

BENEDICT SAURINO
Economist, Sun Oil Co.

H. C. SAUVAIN
Prof. of Finance, Indiana University.

EMERSON P. SCHMIDT
Director, Economic Research Dept., Chamber of Commerce of the United States.

LAWRENCE SELTZER
Prof. of Economics, Wayne University.

FREDERIC L. SIMMONS

GEORGE TERBORGH
Director of Research, Machinery & Allied Products Institute.

RUFUS S. TUCKER
Economist, General Motors Corporation.

RALPH J. WATKINS
Director of Research, Dun & Bradstreet.

RAY BERT WESTERFIELD
Prof. of Economics, Yale University.

DONALD B. WOODWARD
Second Vice-President, The Mutual Life Insurance Company of New York.

WILSON WRIGHT
Economist, The Procter & Gamble Co.

A. W. ZELOMEK
President, International Statistical Bureau, Inc.

Joins Waddell & Reed

(Special to THE FINANCIAL CHRONICLE)

MIAMI, Fla.—George H. Thorpe has become affiliated with Francis I. du Pont & Co. Mr. Thorpe was previously with A. M. Kidder & Co. and Thomson & McKinnon.

With H. L. Robbins

(Special to THE FINANCIAL CHRONICLE)

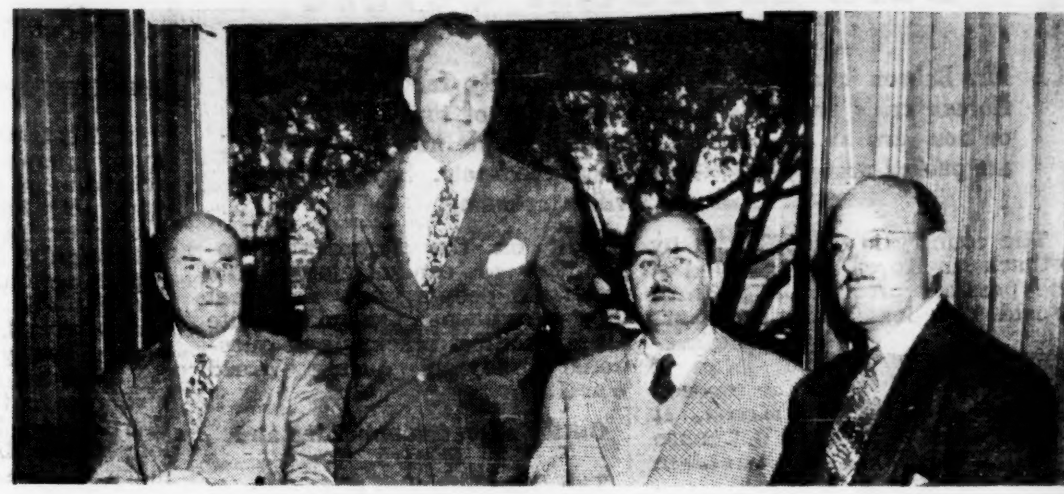
WORCESTER, Mass.—Vincent A. Botticelli is with H. L. Robbins & Co., Inc., 390 Main Street.

Glassman Opens

Barnett Glassman will engage in a securities business from offices at 384 East 149th Street, New York City.

Security Traders Association of Los Angeles Outing at Coronado Island

Roy Warnes, *Hill, Richards & Co.*, Los Angeles; Jack Alexander, *Walston, Hoffman & Goodwin*, Los Angeles, President of the Security Traders Association of Los Angeles; Bud Tuttle, *Gross, Rogers & Co.*, Los Angeles; Sandy Power, *Wagenseller & Durst*, Los Angeles; Bud Dorroh, *William R. Staats Co.*, Los Angeles; Scott Stout, *Blair, Rollins & Co., Inc.*, Los Angeles; Frank White, *National Quotation Bureau*, San Francisco; Don Summerell, *Wagenseller & Durst*, Los Angeles



Conrad Shafft, *Shafft, Snook & Cahn*, San Francisco; Don Summerell, *Wagenseller & Durst*, Los Angeles; Emmet Whitaker, *Davis, Skaggs & Co.*, San Francisco, President of the San Francisco Bond Traders Association; Larry Pulliam, *Weeden & Co.*, Los Angeles

Warren Hanson, *First California Co.*, Los Angeles; Max Hall, *Dean Witter & Co.*, Los Angeles; Bud Tuttle, *Gross, Rogers & Co.*, Los Angeles; Dick O'Neil, *Edgerton, Wykoff & Co.*, Los Angeles

William A. Lippman, Jr., *Akin-Lambert Co., Inc.*, Los Angeles; Thomas W. Price, *McAndrew & Co., Inc.*, San Francisco; Don O'Neil, *Walston, Hoffman & Goodwin*, Los Angeles; Walter C. Gorey, *Geyer & Co., Inc.*, San Francisco; Bill McCready, *Geyer & Co., Inc.*, Los Angeles

John J. Quinn, *Stone & Youngberg*, San Francisco; Elmer L. Weir, *Brush, Slocumb & Co.*, San Francisco

Bill Pike, *Morgan & Co.*, Los Angeles; Tim Spillane, *J. A. Hogle & Co.*, Los Angeles; Tom Euper, *Francis I. du Pont & Co.*, Los Angeles

Bud Dorroh, *William R. Staats Co.*, Los Angeles; Phil Neary, *Dean Witter & Co.*, San Diego

Warren Hanson, *First California Co.*, Los Angeles; Bob Diehl, *Paine, Webber, Jackson & Curtis*, Los Angeles; John F. Egan, *First California Co.*, San Francisco; H. Frank Burkholder, *Equitable Securities Corp.*, Nashville, Tenn.; Foster Paisley, *First California Co.*, Los Angeles; Graham Walker, *Joseph McManus & Co.*, New York

Don O'Neil, *Walston, Hoffman & Goodwin*, Los Angeles; John F. Egan, *First California Co.*, San Francisco; Jerry Tegeler, *Dempsey-Tegeler & Co.*, St. Louis; Graham Walker, *Joseph McManus & Co.*, New York City; Jack Hecht, *Dempsey-Tegeler & Co.*, Los Angeles; Max Hall, *Dean Witter & Co.*, Los Angeles

The Korean Crisis

By ROGER W. BABSON

Mr. Babson condemns U. S. past stupidity for bringing on Korean crisis and calls for reorganization of the Government on non-partisan basis. Says American people now know they are pushed around by a few political crackpots. Says government must cut civilian spending.

The country is disappointed by setbacks in Korea and alarmed at the possible prospect of a third World War less than five years after the second. Even if we do succeed in Korea, it will not cause enthusiasm among us—only relief. For all thinking Americans know by now that the Russian objective is subjection of the whole world. So, of course, any "peaceful" solution of the Korean problem can only be temporary. For Russia's policy is to divert America's attention from her strategy, disperse and scatter U. S. troops as thinly as possible over the globe and to attack all "soft spots" everywhere from without and/or within.

Roger W. Babson

Past Stupidity

We may be our own worst enemies. We have been blind and foolish and some among us have even committed treason. Who, on behalf of the U. S., consented at Yalta to the cutting in half of Korea, with Russia given control of the best developed industrial part of the country? Who withdrew U. S. aid to Nationalist China because Chiang Kai-shek refused to take Communists into the government? China would have been a bulwark against tyranny in the Orient. Who denied the military importance of Korea and Formosa only a few months ago?

Who ordered State Department files stripped of "derogatory" information on employees as early as four years ago? Who put Alger Hiss in high position at the formation of the U.N. and at the world-dividing conference at Yalta? Who partitioned Germany so that the U. S., Britain and France had no access to its main city and capital except by grace of the Russians? Who withdrew our forces from Korea months ago? Who failed to deliver what the Non-Communist government asked in military supplies? It doesn't look to me as if our government has been operating for us. It's actions have encouraged the spread of communism, caused us anxiety of mind and a lien on our pocketbook.

Present Political Trends

Months ago Senators Taft, Knowland and McCarthy, among others, called attention to the danger in the Orient and the need for protective action. Today the President still appears loath to reorganize the government on a non-partisan basis. There is still a failure to appoint the best brains and ability in the country to the most important administrative positions. Also there is a general feeling in Congress that all of Russia's friends have not been cleaned out of government departments.

If a real emergency develops in the near future, we have reason to believe that price, wage and material controls will go into effect immediately. Yet, it looks as if necessary action would be delayed if possible until after the coming Congressional elections. If controls come again, we should let our Congressmen know that we want good judgment and restraint on the President's appointees to control jobs. The American people know now that they were pushed around by quite a few political crackpots of questionable loyalty during World War II.

Outlook for Commodities and Houses

The transportation of foodstuffs great distances and possible losses of food-carrying vessels is always to be anticipated under war conditions. Therefore, no curtailing of crop production need be expected in the next year. A sharp crackdown on civilian consumption can be expected before the summer is over. Now may be a good time to buy an automobile; but there is no reason for now hoarding foods, clothing or shoes. There will be some inventory accumulation in business; but not on a large scale.

The Korean war will tend to make prices fairly firm for the present. This applies especially to foods and livestock. The latter may drop in late summer or early fall. Grains will tend to drop too unless weather or war developments interfere. Industrial materials will rise moderately. This applies to metals, textiles, and building materials. Real estate, especially residential, could have an earlier slump than now anticipated because of an expectation among younger men of being drafted. This could curtail home purchases. All of these are of necessity short-term price trends, subject to the "risk of war." If great amounts are now thrown into defense, our government must cut civilian spending. If not, we are in for more inflation. We all know how dangerous that is.

NY Curb to Resume Golf Tournament

The members of the New York Curb Exchange will renew their exchange golf tournament and outing this fall after a lapse of several years, John J. Mann, Vice-Chairman of the Board of Governors, announced. This tournament, a tradtional Exchange event before the recent war, was formerly held twice each year, in the Spring and Fall.

This year's tournament and outing will be held on Thursday, Sept. 14, at the Garden City Country Club in Garden City, Long Island, with Joseph F. Reilly as Chairman of the committee in charge of arrangements.

The Curb Exchange Golf Trophy, competed for in the tournaments of several years ago, will again be placed in competition and the name of the player with the day's low gross score inscribed thereon. The trophy was last won by Mark J. Stuart with a 70 at Quaker Ridge Golf Club in September, 1937.

In addition, trophies have been donated this year by the Exchange governing board for the low net score of the day and by Francis Adams Truslow, President of the Exchange, to be permanently held by the low gross scorer. Many other prizes have been given by member firms and individuals.

Members of Mr. Reilly's committee include Charles J. Bocklet, Leonard G. Greene, Joseph J. Harris, Harris & Co., James A. Herman, Benjamin Samson, Melville Scholer, Judson L. Streicher, J. Streicher & Co., and Francis X. Gaudino, Secretary.

Our Reporter on Governments

By JOHN T. CHIPPENDALE, JR.

This is one of the in-between times in the money markets with many operators waiting to see what is going to happen. A sizable refunding is in the offing and the terms will be announced in the very near future. Therefore, there is a pre-new-issue attitude in the government market, which means a certain amount of caution and slightly curtailed activity. Despite this, there is more than a passing amount of interest in the market with many portfolio changes and switches being made. It seems as though the bank issues have had a bit the better of the play, since they will be more directly affected by the early fall financing.

Because it is believed there will be certificates and intermediates in the refunding, the outstanding middle maturities of the eligibles have been the center of most of the activity. The longest taxable issue and the 2¾% partials have not had as much volume, but, nonetheless, have not been entirely on the outside. As for the tap issues it appears as though the Vics still are the leaders despite somewhat enlarged activity in the 2¼s and the 1964/69s.

Conjecture on New Treasury Financing

There is no doubt about the government market being under the influence of the coming financing. This is evident by the way investors and traders are trying to put themselves in the best possible position to take advantage of what may develop in the market with the new offering. As usual there is the same master minding as to what the Treasury will do, but as has been the case in the past, these are mainly outside guesses, which at best have been only partly right. Expectations are that the government will use certificates with a 1¼% rate, and intermediate-term issues, most likely 1⅝s. Some hold the view that 1½s will be used. The refunding appears to be pretty much a cut and dried affair as far as many quarters of the financial district are concerned. But, what about the Treasury? In the past the Treasury has come up with surprises in its financing. They might, however, really surprise every one this time by doing what the experts have been predicting.

Banks Could Use Higher Coupon

This one will be a sizable operation and even if somewhat higher coupon obligations (like 1¾s) were included in the financing, there would still be a saving in interest cost to the Treasury. There is no doubt about the refunding being a success, but it could be made more digestable if the deposit banks were offered somewhat longer-term issues with slightly higher coupon rates. These institutions own the largest amount of the maturing issues, and it would not be unfavorable to the market as a whole if other than low coupon obligations were used in the impending financing. There are no longer term high yielding issues these banks can buy aside from the September, 1967/72s. Loss of the 2s and the 2½s will force certain of the commercial banks to go out to the end of the list, and this means increased demand for the longest taxable issue despite its fairly sizable premium and not too sizable yield.

Current Issues Most Likely Affected

The 1956/58s and the 1956/59s are in the thick of it, because these are the obligations that many money market followers believe will be affected one way or another by the early fall refunding. There has been considerable activity in these two obligations with the ins and the outs about in balance. Nonetheless, some profit taking has been in evidence with the proceeds going largely into the 2½s of September, 1967/72. On the other hand, some of the shrewdest followers of the market have been putting funds into the 1951/53s and the 1952/54s believing these issues are in a favorable position irrespective of what comes in the new refunding.

Pension Funds Await Developments

The ineligibles have been moving out of the market as in the past, although volume has receded slightly due in some measure to the time of the year. The early eligible taps have been a bit on the unsteady side even though price changes have been very minor. It is reported there have been a few more institutional switches from the 1959/62s, 1962/67s and the 1963/68s into the Vics. The 1964/69s have been taken on by some of the non-bank investors that have been letting out the 1959/62s. Pension funds, according to indications, have not been as active in their acquisitions as in the recent past. This is attributed mainly to the desire to wait and see what will happen in the coming financing.

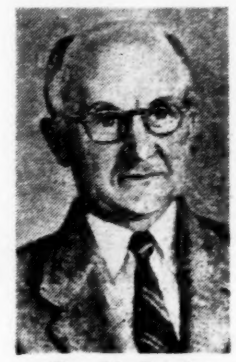
Long Tap Issue Expected

Although considerable is heard about what will be done to finance the future new money needs of the Treasury, there seems to be no set pattern yet, despite reports that many plans are under consideration. A long-term tap issue will no doubt come along one of these days, with not too much mystery about it. The maturity and whether it will be marketable or not are the principal unknowns, because the coupon rate will still be 2½%. Therefore, with a 2½% coupon still in vogue, will the effect upon the outstanding issues be very important, particularly if the Treasury should have to raise large amounts of new funds.

While the intermediates and longs have been getting much of the spotlight the shorts have not been neglected by a long shot. Commercial banks have been filling in here and there with the longer certificates apparently the favorites for the moment. There has also been some industrial purchases of the C. I.'s. Non-bank investors continue to be on the sell side of the shorts.

Brock Retires; Firm To Be Greene & Ladd

DAYTON, Ohio—The firm name of Greene & Brock, members of the New York Stock Exchange and leading exchanges, was changed to Greene & Ladd, effective Aug. 11. Harry Talbott Greene is being admitted as a general partner. Ray M. Brock retired as a general partner. Delano Wood Ladd, associated with the firm for over 18 years, continues as New York resident partner. Mr. Greene graduated from Yale in 1942, was an Air Force Captain during World War II, and has been associated with the firm since 1945.



Ray M. Brock

The head office of the firm is in Dayton, Ohio. In addition to New York, branches are maintained in Springfield and Middletown, Ohio.

Mr. Brock, who is retiring because of his health, will for the present handle the affairs of his 140-acre farm near Bellbrook, where he is raising shorthorn cattle for breeding purposes and engaging in general farming.

Kenrick Gillespie With C. M. Loeb, Rhoades

Kenrick S. Gillespie has become associated with Carl M. Loeb, Rhoades & Co., 61 Broadway, New York City, members of the New York Stock Exchange, as Manager of their investment advisory department.

Mr. Gillespie was formerly with Barrett Associates.

Jenks, Kirkland & Co.

PHILADELPHIA, Pa.—Herbert S. Whitman, member of the New York Stock Exchange, on September 1 will become a partner in Jenks, Kirkland & Co., 1421 Chestnut Street, members of the New York and Philadelphia Stock Exchanges. Mr. Whitman has been active as an individual floor broker in New York City.

On Aug. 31 Henry L. Harris, New York Stock Exchange member, will retire from the firm.

Canadian Securities

By WILLIAM J. McKAY

The anticipated flight of foreign funds into the Canadian dollar, although at present on a moderate scale, is likely to assume more important proportions in the not too distant future. As previously mentioned the case for the revaluation of the Canadian dollar is much stronger than that in favor of the Australian pound, although in spite of this fact foreign speculative investment in the Commonwealth reached imposing dimensions. Furthermore Canada is receiving increasing international attention as a possible safe haven for volatile foreign capital. In addition the potentialities for profitable investment in the Dominion would appear to be unrivalled elsewhere.

For these reasons the influx of foreign capital into Canada will probably eventually confront the Canadian authorities with a greater problem than that which recently caused considerable embarrassment to Australia. Up to a certain point Canada will undoubtedly be willing to absorb foreign investment funds which have been looked upon in the past as indispensable to the full development of the Dominion's vast wealth of natural resources. At certain times moreover capital movements of this kind have played an invaluable part in bolstering Canada's foreign exchange reserves. At the present time, however the Dominion's holdings of gold and U. S. dollars have attained comfortable dimensions, and by virtue alone of Canada's steadily improving trade position vis-a-vis this country they should continue to mount in satisfactory fashion. Indeed, apart from the recent new factors that now operate to influence favorably the course of the Canadian dollar, Canada's basic foreign trade situation has undergone a revolutionary change for the better. Only a short time ago the breakdown of the traditional U. S./U. K./Canadian exchange triangle appeared to constitute a serious threat to the standing of the Canadian dollar. Now, however, the Dominion's foreign trade situation is on a naturally healthy basis—on the one hand the chronic deficit in trade with this country has been almost eliminated, and on the other hand the persistent embarrassing surpluses of inconvertible sterling have been drastically reduced.

Thus it would appear that on the basis of normal international commerce alone, the Dominion's currency is now firmly entrenched, and is no longer at the mercy of external events. From this point of healthy stabilization other favorable factors also now exert their beneficial effect. In the first place there is little question that Canada is now on the threshold of another and possibly her greatest era of dynamic expansion. This coincides with the period, when south of the border, there are now obvious indications that the previous abundance of natural resources can no longer be depended upon to satisfy the mounting domestic demand. In addition the growing pressure of inflationary forces in this country is becoming increasingly difficult to control.

It is evident, therefore, that the flow of funds north of the border results from the play of natural economic forces and is not a purely speculative movement motivated mereby by hopes of an imminent rise in the value of the Canadian dollar. However, as such a logical case exists for an upward adjustment, the speculative demand for Canadian funds is likely to bring pressure to bear for action in this direction. In any event the present parity is bound to come under review at the annual meeting early next month of the International Monetary Fund.

According to usually well-informed quarters in Ottawa there is little reason to expect any early development as far as a change of parity is concerned. It is admitted, however, that a long-range view must take cognizance of the probability of an eventual upward revaluation. Consequently in view of the likelihood of increasing speculative interest, earlier rather than later action would check to large degree the undesirable hot-money influx. An inducement that might have still greater appeal to the Canadian monetary authorities is the counter-inflationary effect of the revaluation of the currency. Under present circumstances also it is now no longer necessary to have the Canadian dollar at a discount in order to maintain the volume of exports south of the border. It would be unwise therefore to place too much credence in the apparent official scepticism concerning the possibility of an imminent currency change.

During the week the external section of the bond market maintained its recent improvement but activity was on a restricted scale. The internals on the other hand were in steady demand on a mounting turnover. Free funds were also strong and dollars for future delivery were quoted at a wider premium. The corporate-arbitrage rate was unchanged at 10½%-9¾%; the decreased activity in this section in recent weeks suggests that U. S. investor interest is now centered to an increasing degree on the attractive Dominion internal bonds. Stocks following earlier dullness finally broke out on the upside led by the industrials which reached a new 16-year high. On anticipation of increased demand following the announcement of the 5-year billion dollar a year mobilization program, steel, chemical, lumber, and utility shares recorded wide gains. The base-metals issues also moved ahead but the Western oils after a firm start were inclined to sag. The golds also were lower in conformity with the trend that has naturally developed as a consequence of the present emergency.

Britain and Rearmament Economy: Will History Repeat?

By PAUL EINZIG

Though pointing out difficulties now faced by Britain in rearmament, Dr. Einzig holds, once British public realizes extent of danger, it will be prepared to make sacrifices that are called for. Foresees increased output per man-hour and longer working periods as operating against substantial lowering of British living standards.

LONDON, England. — Is history repeating itself? Is Britain going to make the same mistakes in the matter of armament economy as she did 12 years ago? She entered the second World War fully unprepared in the economic sphere. This is frankly admitted in the recently published official economic history of the war. Yet by the look of things it seems that the Government has not benefited by the costly lessons of the recent past. There are no indications that the Government has realized the need for planning rearmament economy. Although it is a Government of planners, and it is aware of the need for large-scale rearmament, it is most reluctant to adjust its plans to this need. This is understandable. It must be heartbreaking for Ministers and their expert advisors to undo a large part of the work done in the interest of a higher standard of living. However, they must know that this will have to be done sooner or later, and that by delaying the decision they aggravate the risk involved.


Dr. Paul Einzig

In 1938-40, when the then Government was urged to proceed faster with rearmament, the reply was that if there should be after all no war, the efforts and sacrifices made in the interest of reinforcing national defense would be wasted. So the adoption of a planned rearmament economy, and subsequently of a war economy, was deferred as long as possible, even after the outbreak of the war, in the hope of a peaceful settlement. Those responsible for this policy did not realize that the unpreparedness of their country encouraged the aggressor and was one of the main causes of the war.

In 1950, too, there are many people who believe that it would be sheer waste to spend millions on rearmament and to sacrifice a corresponding amount of capital goods and consumers' goods which would otherwise be available for the civilian population. Their arguments appear to be more convincing to wishful thinkers than they were 12 years ago. For in the late 'thirties it was possible to rearm on a fairly large scale without having to curtail civilian consumption. There was then extensive unemployment, and many factories would have been in a position to expand their output. At present Britain is producing to capacity, and, unless workers should agree to work harder, any increase of arms production must mean a corresponding decline of civilian production.

Moreover, many people are now afraid of the social and political consequences of a deterioration of the standard of living. They argue that it is quite conceivable that the Soviet Government has no intention to embark on a major war, but wants to force Britain and the democratic countries into a rearmament race, in order to bring about a deterioration of their economies and thereby to cause widespread discontent. Until quite recently it was hoped in Moscow that there would be a slump in the democratic countries, as a result of which Communism would have a chance to conquer by exploiting the misery caused by the economic chaos. A little more than 12 months ago Professor Varga, who had refused to believe in the inevitability of such a slump, was forced to repudiate his own views. Now that he has proved to have been right, after all, it is conceivable that the Soviet Government may have come to the conclusion that more is needed than merely waiting for the slump, and that the prosperity of the democratic countries should be destroyed by forcing them into a rearmament drive.

What is not realized in Moscow, any more than was realized in Berlin 12 years ago, is that once the British public realizes the extent of the danger it will be prepared to make the sacrifices called for by the requirements of national defense. Output per man-hour will then increase and workers will be willing to work longer hours, so that the standard of living will not be affected to the full extent of the increase of rearmament requirements. At the same time, the realization of the danger will induce the public to put up with a lowering of the standard of living. In itself the cold war would not have achieved that result. It might have continued for years without impressing British workers with the need for producing more and consuming less. Even the conflict in Korea has not been sufficient to create a "Dunkirk atmosphere." But any war or war scare nearer home would enable the government to proceed with large-scale rearmament without running the risk of endangering internal stability through a deterioration of the standard of living.

Even at present the public would be prepared to put up with a certain amount of sacrifices. And the fact that the Government does not consider it necessary to impose on the public such a limited degree of sacrifices conveys a false feeling of security. It is true, the present degree of rearmament does not call for any exceptional economic measures, and it may take many months before rearmament could get into its stride. Nevertheless, the absence of any emergency measures for the curtailment of consumption by the civilian public is a mistake. It would be wise to anticipate the increase of arms production by a timely curtailment of civilian consumption, through additional disinflationary measures and through the restoration of many wartime controls which have been removed or relaxed in recent years.

Above all, it would be essential to benefit by the lessons learned from the last war and to elaborate in advance a detailed plan for a conversion of peace economy into rearmament economy. There are no indications that any such plan is being elaborated, beyond the consideration of such measures as are intended to be taken in the near future. The Government is not alone to blame. The press does not seem to be interested in rearmament economy. The columns of newspapers are full of alarming reports and comments on the international situation, but there is a noteworthy absence of articles discussing the economic measures that are called for. This was the same 12 years ago when anybody who tried to arouse attention to the economic aspects of rearmament was denounced as a warmonger.

Fortunately there is now ample material available if and when the government and the experts should decide that the time has come for facing the need for studying rearmament economy. While the economic lessons of the first World War were almost entirely wasted during the inter-war period, those of the second World War have been recorded. Once the government has decided upon full-scale rearmament it will be in a position to avoid many of the mistakes made before the second World War and during its opening phases. However, just as the requirements in 1939 differed from those prevailing in 1914, the requirements in 1950 differ from those prevailing in 1939. In many ways, the task of the present government will be easier than that of its predecessor was 12 years ago. For in the meantime a high degree of economic discipline has been adopted and retained in time of peace. The organization of rearmament economy would not have to begin from the very beginning. Many controls are still in force, and it will be possible to restore many others with a stroke of the pen, instead of hesitating for many precious months whether to adopt them or not. Even so, there are many problems which should be discussed without delay. What is true of Britain is true of the other democratic countries.

Dardi and Young Head Western Industries


V. D. Dardi


Paul Young

Announcement has been made of the election of V. D. Dardi as President and of Paul Young as Chairman of the Board of Western Industries, Inc., a newly formed subsidiary of Blair Holdings Corp. and the Golden State Co., Ltd., the latter a leading Western marketer and processor of milk products. Messrs. Dardi and Young are respective Presidents of Blair Holdings Corp., and Golden State Corp., and Golden State Co., Ltd.

Mr. Dardi is also Chairman of the Board of Blair, Rollins & Co., Inc., a nationwide investment banking firm owned by Blair Holdings Corp. Mr. Young is a director and Vice-Chairman of the American Dried Milk Institute and a director at large of the International Association of Ice Cream Manufacturers and a member of the California Dairy Industry Advisory Board.

Thomas Kenney Joins Garvin, Bantel & Co.

Garvin, Bantel & Co., 120 Broadway, New York City, members of New York Stock and Curb Exchanges, announce that Thomas E. Kenney is associated with the firm's collateral loan department.

Mr. Kenney was formerly a partner in G. F. Hulsebosch & Co.

Public Utility Securities

By OWEN ELY

Taxes and Dividend Payout

The accompanying table shows some of the principal items of interest in the composite income account for all class A and B electric utilities in the United States (comprising about 95% of the private power industry). The figures were obtained from the advance release of the 1949 edition of "Statistics of Electric Utilities" issued by the Federal Power Commission.

Last year the electric industry added nearly $2 billion to plant account, after allowing for retired property; in the previous three years it had added about $3 billion. Net plant account (including gas and miscellaneous plant) at the end of 1949 totaled nearly $20 billion, or $15.6 billion after depreciation. Long-term debt amounted to $8.6 billion, an increase of nearly $0.9 billion or 11%. Preferred stock was $2.4 billion, an increase of about 10%, and common stock equity (including surplus) gained about $0.6 billion or 10%. New money financing was, therefore, on a well-rounded basis during 1949.

The table is of interest in connection with proposed higher taxes. It is estimated that current earnings available for common stock might be reduced by some 10-12% if the 45% Federal income tax rate (which may become effective in the last quarter of 1950) were applied on a full annual basis. If the tax rate were stepped up to 50% in lieu of a new excess profits tax, the reduction in earnings for common stock might work out around 21% on an average basis. For individual companies, however, the percentage loss might range from 15 to 30%, it is estimated.

Electric Utility Companies
(Millions of Dollars)

Years	Revenues	Total Taxes	Balance Earned for Common Stock	Common Dividends
1939	$2,271	$343	$411	$320
1940	2,404	397	425	324
1941	2,621	512	400	310
1942	2,769	617	362	279
1943	2,971	667	378	286
1944	3,108	653	390	281
1945	3,171	639	422	295
1946	3,293	626	533	353
1947	3,698	651	547	398
1948	4,167	702	559	395
1949	4,382	786	654	449

How much damage to dividends would a new EPT (excess profits tax) do? In 1942 the electric utilities paid total taxes of $617 million compared with $343 million in 1939. Fortunately the companies obtained larger revenues and were able to defer some maintenance expenditures and make other economies sufficient to offset some part of the increased tax burden. However, the balance available for common stock dropped from $411 million to $362 million, a decline of nearly $50 million, and dividend payments on common stock were cut back from $320 million to $279 million or about $41 million (about 13%).

As noted in this department last week, the old EPT worked quite irregularly and was a very inefficient method of taxation. A committee of the Edison Electric Institute and the American Gas Association are currently preparing a brochure to submit to Congressional tax committees in the near future. As a regulated industry, limited in general to earnings of 6% on the investment (and with all the "water" thoroughly squeezed out of that investment) many observers feel that "excess profits" are a misnomer when applied to 90% of the electric companies. (Electric utilities are free of state regulation in only four states and in those states the municipalities retain jourisdiction.) However, if the industry must again become subject to EPT as a patriotic wartime duty, in order to maintain the good public relations laboriously built up in recent years despite Federal disparagement, executives in the industry feel that at least the "loose ends" and injustices of the old law should be eliminated in the new. The brochure or exhibit referred to above, now in preparation, will suggest certain changes which should accomplish this.

What will happen to dividend policy if an EPT is applied on top of the new 45% rate? Fortunately dividend payout is now only about 69% or 70% of available earnings compared with 78% in 1939. It appears likely that the higher income tax can be fully absorbed if the average dividend payout is increased to 80%. This would offset about $65 million of the new tax burden. Last year Federal taxes on income amounted to $348 million, and the increase in the rate from 38% to 45% would mean a theoretical increase of 18.4% or about $64 million—balanced by the higher payout.

As to the added EPT burden if it is enacted, some of this might be met through deferred maintenance, fuel economies realized from new generating equipment now "going on the line," and by other methods. However, some reduction in dividends would be unavoidable. On an overall basis this would perhaps not have to exceed the 13% cut experienced during World War II, even with a full-fledged defense program. The recent decline in the utility stocks would therefore appear ample to discount such an outcome.

The decline in the market has been rather indiscriminate. Some companies have sufficiently low dividend payouts, and prospective income gains, to absorb both the 45% tax and an EPT without disturbing their dividends. Others, which have been over-generous, may have to cut dividends more than 13%. There will probably be a number of readjustments in market price as these differing prospects for dividends are realized by holders of these securities.

Some utility companies have already taken steps to reassure utility analysts by expressing hopes of maintaining the *status quo* in dividend payments. Others also may feel able to do this. Such an educational campaign, so far as it can be reasonably carried out, would help to restore "morale" among utility investors—a necessary step if the industry is to continue to do equity financing for its big construction program.

More Truth Than Poetry!

"These officials (the Democratic leaders) have proved to be incompetent either to maintain the peace or to provide an adequate national defense after having been given fifty billion defense dollars in the last five years.

Joe R. Hanley

"Their decisions sent American boys with pop-guns up against 40-ton Red tanks and a handful of American troops against hordes of North Koreans." * * * "I would get rid of the bad advisers in Washington, no matter how high their standing. I'd get rid of Defense Secretary Johnson and his bad advisers. I'd have a shake-up on the General Staff, and I'd bounce the men who made the bum decisions in intelligence, if I had to fire the whole Central Intelligence Agency." * * * "These people down in Washington have been sloshing our money all over the world like Champagne Charlies. They have been talking big and loud, but when the fighting began, we didn't have an effective bazooka in Korea and no tanks to match the enemy's."—Lieutenant Governor Joe R. Hanley, candidate for the Republican nomination for Governor of New York.

This is the type of attack which the Administration doubtless most fears.

And who can say that it is not fully warranted—both the attack and the fears.

Continued from page 9

Economic Policies for Today's Problems

and incentives and certain types of tax consideration—should be adjusted and adapted to the current situation. We must tool up for the job ahead.

Generally speaking, this is not the time for overall cutbacks in farm production to maintain prices. It is a time for utilizing our vast new agricultural technology, to provide a huge supply of foods and fibres to service both industrial and consumer needs. Ways must also be found to utilize this potential abundance, instead of letting it go to waste.

Labor should also join in this coordinated drive for more and more production. There is no room or need in the current situation for protective restrictionism, or for unnecessary work stoppages. Labor showed, during World War II, that it could make a great contribution toward the organization of production as well as toward the supply of manpower in the customary sense. It should have that opportunity again, and be ready to utilize it.

If we can all keep our eyes upon this central problem of more and more production, we will then be able to understand better the significance of the various control measures now under discussion. The main purpose of these control measures, when properly analyzed, is to get more production, to get the right kind of production, and to get it for the right purposes. When this is fully appreciated, controls can be properly used. But when this is not fully appreciated, when preoccupation with controls tempts us to forget about production, then we are in danger of doing the wrong thing.

Menace of Inflation

The chief menace of inflation, in fact, is that it disrupts production. It makes it harder to get the right goods to the right place at the right time. Rising prices make every dollar voted for national defense worth less in terms of the defense goods which can be bought. Rising prices and a rising cost of living inflict hardship, disrupt civilian morale, lead to industrial disputes, and thus interfere with production. Control of inflation, therefore, is an essential part of the battle of production.

A sharp increase in expenditures for military purposes cannot immediately be counteracted by an equivalent increase in total production. Therefore, the prices paid for these military products, and the wages earned in producting them, tend to cause the purchasing power of civilians to rise far in excess of the civilian supply of goods. The first and foremost remedy for this situation, is to drain off the excessive purchasing power by higher taxes and by credit restrictions. Legislation toward this end is now pending, and additional proposals will be needed to raise taxes still more. The public should realize that the cost of defense *must* be borne by the people. Any attempts to avoid this cost, by taxes which are not high enough to meet the cost on a pay-as-you-go basis, would be an illusion and a danger in the long run. One of the most encouraging things about the current situation is that this sound approach to tax and credit policy is in an area of almost universal agreement. In this respect, we are far ahead of where we were during World War II.

In addition to these restraining measures, the government should have the power to allocate scarce materials, where the increasing need for military purposes is greater in the short run than the possibility of increasing production. This is necessary to protect the military effort, to safeguard essential civilian use, and to prevent inequities and price increases.

The more successful we are with these general measures, the less necessary it should be to resort to widespread control of individual prices, wages and production schedules. However, the President has already indicated to the Congress his willingness to have these additional powers made available on a standby basis, for use when needed. But no matter how many of these additional powers are made available, their utilization can never avoid the necessity for the exercise of that individual responsibility which is the obligation of every citizens in these times.

Wants Voluntary Cooperation

If businessmen or workers or consumers are avaricious or grasping, or resort to policies arising from a scare psychology when supplies are abundant, they can partially defeat the effectiveness of any measures which the government may undertake. I disagree completely with those who say that it is futile and a waste of breath to ask the American people to cooperate voluntarily, in the face of the great danger confronting us. I do not believe that the glaring exceptions disprove the general rule that the American people want to be taken into the confidence of their government, that they want to know what is going on, that they want to feel they have a contribution to make, and that the overwhelming majority of them will make that contribution when they know what is at stake.

In the final anaysis, we can no longer afford to do business as usual, and we cannot afford to follow peacetime ways in this time of peril. But we can and must continue to follow American ways. We can and must continue to cling to those methods which in the past have made us strong in war no less than in peace—the methods of a free people which time and again have been proved stronger than any methods which the totalitarians can muster.

We need public controls; but they are no substitute for self-control. We need government leadership; but it is no substitute for the workings of our free economic system. We need programs to get a prompt and necessary division of what we can produce between military and civilian needs; but this is no substitute for more and more production. If we remember these things and put them into practice, we can and will rise to any mounting challenge which may confront us, and we shall win peace and security in the end.

Manufacturers Trust Promotes Ohlmuller

Harvey D. Gibson, President of Manufacturers Trust Co. of New York, has announced that Frank P. Ohlmuller, who is in charge of the bank's Security Analysis Department, has been advanced to Vice-President.

Mr. Ohlmuller joined the bank as a Senior Analyst in 1934, having previously been associated with the investment banking house of George H. Burr & Co. He was made Assistant Secretary of Manufacturers Trust Co. in 1942, Assistant Trust Officer in 1944 and was appointed an Assistant Vice-President in 1948. Mr. Ohlmuller is an alumnus of the Graduate School of Banking, Rutgers University, class of 1948.

Irving Rice Adds Two

ST. PAUL, Minn.—Robert Dean Field and Spencer C. Nagel have become associated with Irving J. Rice & Co., First National Bank Building.

Dick & Merle-Smith Admit

Dick & Merle-Smith, 30 Pine Street, New York City, members of the New York Stock Exchange, will admit Julian K. Roosevelt to partnership Sept. 1.

NEWS ABOUT BANKS AND BANKERS

CONSOLIDATIONS
NEW BRANCHES
NEW OFFICERS, ETC.
REVISED CAPITALIZATIONS

At the regular meeting of the Board of Directors of **The National City Bank of New York**, held on Aug. 15, Arthur F. Spellman and J. Andrew Painter, Assistant Vice-Presidents, were appointed Vice-Presidents. Both have been associated with Roger Steffan, Vice-President in charge of the bank's personal credit activities since that department was organized 22 years ago, and will continue in the same capacity. They are authorities on consumer credit.

Arthur F. Spellman J. Andrew Painter

At the same meeting the following Assistant Cashiers were appointed Assistant Vice-Presidents: Thomas F. Creamer, James F. Jaffray, Edward A. Jesser, Jr., and Ferol D. Overfelt.

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Harvey D. Gibson, President of **Manufacturers Trust Company, New York**, announced that Mr. Edgar P. Houpt, of the bank's Security Analysis Department, has been promoted from Assistant Secretary to Assistant Vice-President.

Mr. Houpt joined Manufacturers Trust Company in 1935. Prior to that time, he was associated with Harris Forbes and Company and later with Moody's Investors Service. He was made an Assistant Secretary of Manufacturers Trust Company in 1946.

Harvey D. Gibson, President of Manufacturers Trust Company, also announced that Mr. Frank P. Ohlmuller, who is in charge of the bank's Security Analysis Department, has been advanced to Vice-President.

Mr. Ohlmuller joined the bank as a Senior Analyst in 1934, having previously been associated with the investment banking house of George H. Burr & Co. He was made Assistant Secretary of Manufacturers Trust Company in 1942, Assistant Trust Officer in 1944 and was appointed an Assistant Vice-President in 1948. Mr. Ohlmulled is an alumnus of the Graduate School of Banking—Rutgers University, Class of 1948.

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William A. Frey has been elected a Vice-President of the **Corn Exchange Bank Trust Company, New York.** He was formerly Assistant Vice-President of the bank.

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William H. Deatly was elected President of **Title Guarantee and Trust Company, New York**, at a special meeting of the board of trustees on Aug. 8. He succeeds Barnard Townsend who has resigned.

Mr. Townsend, who became President of the company in June, 1948, issued the following statement: "Two years ago the board of trustees asked me to help them find a satisfactory answer to the problems confronting Title Guarantee and Trust Company. After long and careful consideration, we have concluded that the solution was to dispose of the company's banking division and concentrate exclusively on title insurance in which the company has been a leader for many years. With the consummation of the sale of our banking division to Bankers Trust Company—an action which I initiated earlier this year—this solution has been accomplished. The company is now operating profitably and economies deriving from the sale will be of further benefit to the title business. I therefore recommended to the board that Mr. Deatly, who has had long experience with the title company, be named as my successor."

Ira Guilden, the largest single stockholder of the company, has been elected Chairman of the Board of Trustees, a newly-created post. Philip A. Roth, a business associate of Mr. Guilden's, has been elected Vice-Chairman of the Board, also a new post.

The Board of Trustees also elected Herman Berniker, formerly Vice-President in charge of the title division, to the newly-created office of Executive Vice-President of the company. J. Webster Goodhue, formerly Assistant Vice-President, has been elected Vice-President, responsible for personnel activities, employee welfare and production activities.

Reference to the acquiring of the banking business by the **Bankers Trust Co. of New York** was referred to in the Aug. 3 issue of the "Chronicle," page 448.

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The Franklin National Bank of Franklin Square, New York, by a stock dividend effective Aug. 1, increased its common capital stock from $860,000 to $890,000, according to the Office of the Comptroller of the Currency.

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Willard G. Hampton, Vice-President and General Manager of the Long Island area of the New York Telephone Company, has been elected a Trustee of the **Brooklyn Savings Bank, Brooklyn**, Gilbert C. Barrett, President, announced yesterday.

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Mr. Richard V. Schnibbe, Trustee and Chairman of the Finance Committee of the **Roosevelt Savings Bank of the City of New York**, died at his home in the Borough of Brooklyn on Aug. 8.

Mr. Schnibbe had been a member of the Board of Trustees since December, 1937.

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Charles W. Gleason, a Trustee of **The Green Point Savings Bank, Brooklyn**, has been elected President, it was announced on Aug. 10. He succeeds George W. Felter, who recently retired after 32 years in that post.

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A. Edward MacDougall has been elected a Trustee of **The Queens County Savings Bank, New York**, according to an announcement by Joseph Upton, President.

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State Bank of Churchville, Churchville, New York, an insured nonmember, was merged into **Security Trust Company of Rochester, Rochester, New York**, a State member, under the title and charter of the latter institution. In connection with the merger a branch was established in the former location of the State Bank of Churchville.

The merger, effective Aug. 1, was announced by the Board of Governors of the Federal Reserve System.

The **Manchester National Bank, Manchester, New Hampshire**, has increased its common capital stock from $150,000 to $300,000 by a stock dividend effective July 31, according to the office of the Comptroller of the Currency.

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The sale of $100,000 of new stock by **The Farmers and Merchants National Bank of Winchester, Virginia**, has served to increase the common capital stock of the bank from $200,000 to $300,000. The enlarged capital became effective July 31, according to the Office of the Comptroller of the Currency.

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An increase of $50,000 in the common capital stock of **The Tipp-Citizens National Bank of Tipp City, Ohio**, raising it from $50,000 to $100,000 has occurred as a result of a stock dividend, it is reported by the Office of the Comptroller of the Currency. The enlarged capital became effective July 28.

* * *

Through a stock dividend of $25,000 the **First Central National Bank of St. Paris, St. Paris, Ohio**, increased its common capital stock as of July 28 from $50,000 to $75,000, it is reported by the Office of the Comptroller of the Currency.

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Maple T. Harl, Chairman of Federal Deposit Insurance Corporation, on Aug. 10 announced that all deposits of the **Farmers First National Bank and Trust Company, Minooka, Illinois**, are being taken over by **The First National Bank, Joliet, Illinois**, as of the close of business Saturday, Aug. 12. FDIC will advance about $250,000 in cash to make the transfer possible.

Until the transaction is completed, depositors of the Farmers First National Bank may continue to do business as usual at the bank's Minooka office. Chairman Harl assured depositors of the bank that none of them will suffer a penny's loss and that there will be no interruption to their banking services.

The recent suicide of the bank's cashier led to discovery of irregularities which impaired the bank's solvency. As it has done in many comparable cases, the Federal Deposit Insurance Corporation stepped in immediately to protect depositors' interests.

In cooperation with Preston Delano, Comptroller of the Currency, who has supervision over all national banks and after consultation with several banking institutions in the surrounding area, the following plan was worked out:

(1) The First National Bank of Joliet will assume all deposit liabilities of the Farmers First National Bank and Trust Company of Minooka;

(2) Federal Deposit Insurance Corporation will advance cash in an amount sufficient to equal the difference between total deposits of the Minooka institution and acceptable assets of that bank taken over by the First National Bank of Joliet.

"This is the sixteenth instance in which Federal Deposit Insurance Corporation has been called upon in Illinois to aid an insured bank that encountered difficulties. In the previous 15 cases, 19,000 depositors had their funds protected by the advance of $4,078,000 of FDIC cash," Chairman Harl said. "Federal Deposit Insurance Corporation is constantly alert to protect depositors in insured banks from any loss of their funds, and will continue to contribute to stability of the banking system to the best of its ability.

"The First National Bank of Joliet is one of the oldest and most stable banks in Illinois. It has a history of continuous operation since 1857; it is well managed; it will provide excellent service to depositors whose accounts it is taking over and it will continue to provide the benefits of Federal deposit insurance to those depositors," Mr. Harl concluded.

* * *

Ben Mills, banker, died on Aug. 10 in Billings Memorial Hospital after a brief illness, at the age of 73, according to Associated Press dispatches from Chicago on Aug. 10 which added: Mr. Mills was President of the **Michigan Avenue National Bank, Chicago**, which he helped to organize in 1946.

Born in Pierce City, Mo., he started his banking career there at an early age. He moved to Indian Territory at the turn of the century and joined the Degnan-McConnell Coal Company at Wilburton, Okla.

From there he went to the First National Bank of McAlester, Okla., as Cashier. Later he became Vice-President, and then President of the McAlester Trust Company.

In 1928, Mr. Mills was named Vice-President of the Oklahoma Stockyards National Bank at Oklahoma City. He left that position to fill a similar post with the Tradesmen's National Bank there, then returned to the Stockyards Bank as President. He had served as President of the Liberty National Bank, formed in 1925 by a merger of the Oklahoma Stockyards National Bank and the Liberty National Bank of Oklahoma.

Mr. Mills came to Chicago to be President of the Mid-City National Bank in 1932. In the next 14 years the bank's assets grew from $3,000,000 to $49,000,000.

* * *

The Board of Directors of **City National Bank & Trust Co., Kansas City, Mo.**, have voted to transfer a million dollars from the undivided profits account to the bank's surplus fund. After this transaction the bank's capital stock outstanding is $2,000,000; surplus, $5,000,000; and undivided profits, $1,980,000.

Wachovia Bank and Trust Company, Winston-Salem, N. C., a State member, has established a branch at Charlotte, N. C., to be known as Time Payment Department Branch, it was announced by its Board of Governors of the Federal Reserve System, effective July 18.

* * *

Philip S. Breck, Jr., has been appointed an Assistant Cashier of the **Anglo California National Bank of San Francisco**, it was announced on Aug. 9 by Allard A. Calkins, President.

A native of Berkeley and a graduate of the University of California, Breck has served the Anglo Bank in its public relations department, first at the Oakland main office and more recently at the bank's head office in San Francisco.

The Anglo California National Bank, San Francisco, Calif., plans to open an ultra-modern office with drive-in facilities at Parkmerced, the Metropolitan Life Insurance Company's housing development (in San Francisco), Allard A. Calkins, President of the bank, announced on Aug. 8.

The bank has leased ground floor and basement quarters in the shopping center to be erected by Metropolitan Life on Cambon Drive. The new Parkmerced office will be equipped to render a complete banking service and will include a safe deposit vault. It will be Anglo Bank's 12th office in San Francisco and its 30th in northern and central California.

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At a meeting of the Board of Directors of **Crocker First National Bank of San Francisco**, held recently, Ralph Gwin Follis, Chairman of the Board of Directors of Standard Oil of California, was elected a director of the bank.

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Ben R. Meyer, Chairman of the Board of **Union Bank & Trust Co. of Los Angeles** reports election of F. M. Banks, President, Southern California Gas Company, Los Angeles, as a director of the bank.

Continued from first page

The Schumann Plan And the U. S. A.

ism of both countries never allowed to function fully after 1918.

A Franco-German, or more general free trade in steel could even revive the sensible division of production which before 1914 tended to concentrate the heaviest steel products in Lorraine (and Luxembourg), where there was always a scarcity of labor, and to leave the lighter and more finished products to the Ruhr with its greater supply of skilled steel workers.

All this could be accomplished by the introduction of normal free trade in these raw materials and industrial products, either between the neighboring countries or in the world in general, by the derogation of state- or cartel-made price differentiation, and normal industrial and financial agreements between private companies of coal, ore and steel, provided that this trade is considered from a rational and economic standpoint and not governed by nationalistic sentiments.

If the big words used by the French diplomats and echoed not only by the German chancellor, but also by such prominent Englishmen as Lord Layton and Sir Arthur Salter, and with some caution by the leading officials of the American State Department and the ECA, were just good publicity for such limited aims, one could be well satisfied remembering that other European projects, as the "Fritabel,"[1] were launched with similar fanfare, only to end in frustration and well classified files after the discussion of details revealed the contradictory interests of the various countries.

But the project of Mr. Schumann or Mr. Monnet goes much further than the opening of frontiers for goods and capital. While it tears down the barriers of custom duties and preferences between the member states, it surrounds the whole industry by an even higher and more impenetrable wall of one centralized, monopolistic organization of coal and iron for Western Europe and internationally of the United Kingdom as well.

Whatever should be the structure and the conditions of the proposed pool, this European coal and iron union would be the strongest economic unit that exists or ever existed in the capitalistic world, i.e., outside of Soviet Russia. A capacity of say 500 million tons of coal and 50 million tons of steel, including Britain, or even two-thirds of these figures without the United Kingdom, surpasses not only in absolute quantity of production the United States Steel Corporation; it means 100% of the total production of the member states, against 30% of Big Steel in the United States (or say even 65% at the time when the Steel Corporation was formed in 1901 by J. P. Morgan. Even these figures do not convey the whole impact of the proposed combination. The American Steel Trust, as it was called at the time, was not assisted or protected by the government. To the contrary "Big Steel" had to be careful to avoid prosecution under the antitrust laws. In fact while growing absolutely, modernizing its plants, and spreading its mining ventures now to South America, it is today only twice as big as its next competitor; its relative influence on the trade and market has steadily decreased.

Notwithstanding any change of name which Messrs. Schumann or Monnet may give it to make it more palatable to antimonopolists, the intended coal and iron pool is a cartel according to the economic and legal terminology. Cartels are contractual organizations of separate firms for a limited period to regulate their market. There are many ways to reach that aim. The cartel may determine production, or areas of distribution, or prices, but at any rate as long as it is the organization which influences the market by common action of otherwise not merged firms, it remains a cartel, whether perfect or imperfect, voluntary or compulsory by law.

Aside from the old Standard Oil, the American Tobacco Co. and a few other trusts which were dissolved 40 years ago under the Sherman Antitrust Law, there never existed in the capitalistic world anything as effective and systematic as the great German coal and steel cartels of the Wilhelminian and Weimar periods (the Rheinische Westphalische Kohlensyndikat and the Stahlwerksverband) or the Kalisyndikat ("Potash Syndicate"), which since the beginning of the century was a compulsory organization of all German potash mines owned privately or by state governments.

These German syndicates succeeded in providing very good and even relatively stable profits to their members — no doubt of a higher normal average than free competition would have given them.

Anyhow the actual or potential menace of government interference—either directly or by a special Cartel Court—if not any self restraint of forward looking and cautious industrial leaders, prevented in later years the worst misuse of this great power which had characterized their early adventurous period.

One has often criticized cartels for protecting the marginal or sub-marginal producer by establing prices high enough for his inefficient and outmoded machinery, contrary to the trust which concentrates production in the cheapest working plants.

But this is only a half-truth. The cartels were formed for a limited period, generally between five and ten years. As long as there were in the industry some progressive and aggressive leaders, the survival of the fittest and the disappearance of the unadaptable was accomplished by the preparation for the renewal of the cartel. The strong members asked for higher quotas on the basis of their modern technical installations, their low cost of production and their financial resources. In most cases a short period of unrestrained competition, or the fear of it, and the anticipation of its outcome reduced the influence of the unfit more and more, if they did not sell out their plant, or at least their quota of the cartellized product, to the more efficient companies, preferring a profitable morphium slumber or euthanasia to the unequal struggle for life and death.

So far Mr. Monnet has not satisfied the curiosity of economists as to the methods he proposes to employ in order to protect the interests of the consumers of this most independent super-cartel, but even less how the technical and economic progress would be assured in a compulsory monopolistic covenant either to last until death them separates (or at least for a period of 30 years).

Today it ought to be evident to every observer that the economic problem of Europe is solvable, but solvable only by an enormous increase in the productivity of labor, which implies most efficient machinery and organization.[2] All questions of distribution of the national product between classes and individuals become trivial compared with the aim to reach within ten years, at least in the manufacturing industries, i.e. the transformation of raw materials into finished products, the same output per man hour which the United States have attained today, and then to strive for the American records of 1960.

The testing stone of any economic system or organization in Europe — public or private — is whether it leads to higher productivity or not.

The problem of industrial and economic independence on the one hand, and government supervision, influence and interference on the other hand, has come to the surface in the nationalized industries of Britain and everywhere else where similar forms of organization have been inaugurated. It has troubled even the socialistic members of the original Commission on Nationalization in Germany in 1918-19 (Sozialisierungskommission) which was probably the first gremium to discuss these questions systematically.

In fact this problem can never find a definite satisfactory solution under a socialistic, semi-socialistic, or centrally planned economy; at best it may find some workable compromise. Anyhow in a national cartel or trust or government owned industry, there always remains the power of legislature to curb, to modify, to end the monopoly which it has created, or at least tolerated and protected. It is difficult to see what substitutes for the undivided sovereign power of the state Mr. Monnet wants to introduce in order to guard the guardians.

II

Mr. Monnet's "Document de Travail"

The "Document de Travail" which Mr. Jean Monnet has published on June 27, 1950, is certainly very far from a draft of a legal treaty or of a legislative bill. For the cartel specialists, as well as for the constitutional lawyers and scholars, it opens at least as many questions as it answers.

Its very indistinct wording seems to imply the following proposition:

(1) High Common Authority of Coal and Steel

A partial fusion of sovereignty for eternity, terminable only by unanimous consent of the participants, is to be vested in a board of High Commissioners (6 to 10) who shall be appointed by the joint governments (ensemble des gouvernements) for six years, one-third of the members retiring every two years (as in the U. S. Senate, or similar to the Atomic Energy Commission). The method of their nomination and appointment—whether unanimous or by majority vote—is not stated, but only stipulated that they are not the represenatives of a single nation, but owe allegiancy, at least regarding their work as managers, to the not yet existing supranational community.

While many consultative and regional associations of employers, laborers and consumers may be allowed to function and even be asked to perform by delegation some of the work of the "High Authority," they may be overruled by the H.A. which sets the law and executes it. This refers specially to prices, wages, and it seems to the regulations of exports.

The High Authority has a right of taxation by a purchase tax on coal and iron. It may use this tax money for loans or grants to the various enterprises or for guaranteeing loans for investment purposes. In all these functions —which are certainly not only executive and admistrative but to a great extent legislative—the High Authority (by majority vote, or in what other way?) is practically sovereign, aside from the checks and balances enumerated sub. 2.

(2) The High Authority is responsible before all the citizens of the participant countries (ensemble des citoyens) represented by a common assembly which is elected by the respective parliaments each year. So far it has not been published whether this election may be on the basis of majority or of proportional representation, a point which is of major interest. This common assembly convenes once a year, debates publicly the report of the Higher Authority and may by a two-third vote of censure recall the members of the H.A. or force them to resign.

(3) While the assembly is not sitting, the participant governments (or in some cases of special interest, the individual enterprises) may ask for a rehearing and a decision by a two-third majority of the H. A.

(4) It is contemplated to introduce furthermore an appeal to a Court of Arbitration with a competence not restricted to legal questions. This Tribunal may "ask" the High Authority to "modify" its decision in case it seems to jeopardize the economic expansion or the interior equilibrium of a country ("demander . . . de modifier." What means, "demander"? What "modifier"?)

III

The Plan and Cartel Technique

This blue print of a draft of a proposition arouses not only the curiosity, but the critical spirit of the cartel specialist, as well as of the scholar of constitutional law and government.

From the viewpoint of cartel technique, the "Document de Travail" contains some forms of organization which seem more or less novel, even if one can find some germs or nuclei of them, for instance in the Coal Council of Weimar Germany.

(1) The High Authority, i.e., the practically dictatorial management, is not installed by the industry, but by the ensemble of governments. On the other hand, while it can tax the output, control prices, wages, and industrial policy, it cannot directly interfere with the technical production or expressly veto any investment or new installation, but it can make the best planned project unpractical and unprofitable by subsidizing competitive plants.

This opens the door to many frictions and contradictory decisions of the various gremia and the individual enterprises in the coal and steel fields.

The danger of lacking coordination is the greater because the H.A. is an outside body and not the summit of the pyramid of the industrial organization. In fact it is rather tangential to the industry itself. In practice this is apt to lead to continuous fights between the industrial companies and the H.A. with the result of paralyzing the working of the cartel, or with the final outcome that either the H.A. becomes the master in every respect, or is forced to obey the will of industry —if there is enough pressure and a sufficient majority for a certain policy. In all probability the mines and the steel plants who feel to have grievances will try to find the succours of their respective national governments, but these can offer only very limited assistance, having delegated their rights to other bodies.

The proponents of the plan may answer that pluralism exists also in competitive independent enterprises or in voluntary or obligatory trade cartels which are subject to administrative or legal intrusions and interferences by the government or its agencies. But this refutation overlooks the fact that, for example, the Interstate Commerce Commission which in America regulates railway rates, or similar institutions for cartels in Weimar Germany are government agencies subject to the control and in the last resort the legislative interference of their parliaments, which can change or abolish their own creations. Somewhere at least there is the undivided sovereignty in this field, irrespective of the American system of checks and balances.

IV

Constitutional Problems

These and many other objections may be raised against the "Document de Trevail" from a purely technical standpoint of cartel organization. However, this need not imply that the difficulties could not be overcome or at least greatly diminished, if we would confine our analysis to the question of cartel organization.

The inherent, fundamental problems are concerned with the constitutional and political side of the pool.

After Churchill's speech in the Commons on the Schumann Plan, on June 27, it definitely has become Utopian to expect Britain to join in a "United States of Europe" or a similar legal federation of Western Europe while he remains the champion of European and Atlantic "cooperation."

This writer is convinced that for many years to come, the "Federation" of Continental Europe is an equally unrealistic aim and certainly not one which the U. S. should further. This shall be explained in a comprehensive study on European economic and financial questions in their relation to America.

For the limited theme of the coal and steel pool, one may confine the discussion to the problem how the fusion or delegation of sovereignty to a supra-national body could work when in every other respect the sovereignty remains national and the duty of the respective governments and parliaments unimpaired.

Every division of sovereignty, as it exists in Federal States like U. S. A., Switzerland, Germany, or the British Dominions, is a great compromise between the necessities of centralized policy and the aim to restrict this centralization to the workable minimum. This is not an easy task. Even the broad lines of division between Federal and State Rights have in all federal nations somewhere and sometime been curved or dented. However, it is relatively simple to leave or apportion to the states all legislature on schools and churches and to give the federal governments the sovereign rights in the field of money, credit and trade. The distinction between state sovereignity in intrastate commerce and federal sovereignty in interstate commerce could not avoid complications and arguments and impairments of a unified policy in the United States (cf. The Schechter decision of the Supreme Court which practically ended the NRA). But to let the superstate administration rule about coal and steel, and the states about mineral oil and nonferrous metals; allow the pseudo federal authority to proclaim minimum wages for iron workers in all constituent countries, but leave the state governments with the task to adapt their economic and social policies to the fact that five or ten per cent of the workers have reaped the advantages of a minimum wage far above the general level of the country, is clearly unworkable. Serious conflicts between

1 The custom union of France, Italy and Belgium, Holland and Luxemburg.

2 Vide the reports of the various British teams of employers and employees who studied American production.

the national governments and the H.A. cannot be avoided. Presuming the Parliamentary Assembly is sitting in January of each year, and the H.A. decides prices and minimum wages in February, sticking to them despite a rehearing upon some government's protests, the H.A. law remains in force at least until next January (subject to the Arbitration Tribunal), and if there is no two-third majority of censure it remains a law for an indefinite time. After two years, the term of one-third of the members of the H.A. expires and the government, which may be divided in their stand and may be—or may not be—in accord with the majority of the common Parliamentary Assembly, can either reappoint the old managers or new ones of a different industrial policy. Even though the majority of the H.A. may remain the same as before, the conflict between the three bodies — High Authority, Common Parliamentary Assembly, and Joint Meeting of State Governments—may drag on and on for any length of time.

With the intention to resolve some of these problems of uncoordinated policies, the "Document de Travail" proposes a fourth interfering body, a Tribunal not confined to questions of law. In fact this can only complicate the whole apparatus even more.

One could perhaps imagine such a tribunal as a safeguard against undue discrimination between the constituent countries or single producers—despite the fact that the whole declared aim of the pool is to extend special grants and favors to individual companies in form of loans, etc. But to entrust the Tribunal with other than legal decisions is in the line of the error now not uncommon that political questions could be judicially decided.

Whatever one may think about the division of legislative and executive powers and their need of coordination, the correlation to the independence of judicial power is an absolute restriction of the Courts to the function of interpretation of the given law and a prevention of judicial authorities to set arbitrarily the political, economic and social aims, and the permissible means to reach these aims.

This separation of judicial power from the legislative or executive is essential in a single country, whether federative or not, and it is absolutely imperative with an international institution of otherwise entirely separate countries which have neither the same traditions nor the same political and social philosophy.

It is difficult to believe that this whole plan of High Authority, Common Parliamentary Assembly, and so-called Tribunal, has originated from men with knowledge of constitutional law and political history. The plan shows the typical features of technocrats, or at least of technicians who over-compensate the mathematical thinking needed in their own sphere by a fantastic romanticism when they enter the fields of human and social relations.

Perhaps it is characteristic for the technological origin of the Plan that its inventors kept it a secret until the moment of the intended shock effect of its publication in the meager form of the "Document de Travail."

"Give me an important monopolistic point outside the competitive system and I can subvert the whole world of individual enterprise." Without strict limitations of its powers, this autonomous body could regulate practically all production and consumption in the participant states, preventing, for example, the erection and the supply of sheets to a new automobile factory in Holland, or the manufacture and use of a new steel alloy which may bring about an enormous saving in steel—or in work hours.

Anyhow, despite all possible safeguards this European superplanned coal and steel cartel will have its impact on many other industries in material results as well as in psychological effects.

Tomorrow the heavy chemical industry, another day the makers of heavy machinery, turbines and power stations, may ask for similar sovereign powers or for complementary measures to compensate their region for the losses—damnum emergens or lucrum cessans—which the coal and steel combine has brought about.

This is not a distant or theoretical possibility: already people are clamoring for a supra-national authority, a fusion of interest for the French and the German agriculture. And other industries, with the long history of state protection and assistance, are sure to raise their voice for equal treatment with coal and steel.

Other industries may be organized in an intrastate monopolistic organization. One may copy the High Authority for other industries, trades, or agricultural productions. In that case, a number of supra-national authorities, each with separate interests, may cooperate or fight with each other, creating instead of historically founded national sovereignties, a dozen of separate industry-wide sovereignties which hollow out the sovereignty of the constituent countries for a kind of guild socialism or guild pseudo capitalism. One has only to visualize such a complex economy of independent High Authorities in order to see that it never could work in practice.

Or the High Authority for coal and iron will be charged to take care tomorrow of the heavy chemical industry, next year of nonferrous metals and agriculture, and so on until it comprises all but the local trades. This means in fact a partial economic unity or Federation achieved in steps and in almost clandestine way.

It is hardly imaginable to make the members of the High Authority for coal and iron also dictators for a great part of the whole European economy. Certainly not the same kind of men are able to manage coal and iron as well as meat and potatoes, or the radio and television industry.

In fact this planned European economy consisting of super NRA's cannot, even theoretically, be conceived except on the basis of a real federal constitution which embodies the main characteristics of a federal state, like U. S. A., Switzerland and Germany, or the great British Dominions. This, however, is no practical issue.

V

The Plan and Peace

Whatever the economic planners may expect from the supercartel, the enthusiasm of Mr. Schumann and of many Americans for the project can only be understood upon the supposition that this organization will have poltically a miraculous effect of pacification in Europe and especially of ending the tension between France and Germany.

There were — and even today there are — some socialists who propagated the theory that the capitalistic competition of various countries was at the root of all international conflicts. This one-sided materialistic conception of history has been discarded nowadays even by many who are otherwise followers of Karl Marx.

To claim that the competition between Krupp and Schneider-Creusot or Thyssen and de Wendel were the cause for the two world wars is really too fantastical to be refuted in detail. Or does anybody pretend that the tension and the wars between the two countries—from the time of Richelieu and Choiseul to the coalition of 1792 and Napoleon, from Basmarck and Napoleoon III to the diplomatic incompetence of 1914 and to Hitler's determined will to conquer the world—were only a struggle for record production of coal and iron? Or, on the other hand, did the patent and cartel arrangements between the I. G. Farben and the American du Ponts, the British I.C.I., or the international cartel of electric bulbs prevent the two wars between U. S. A. and Germany or Britain and Germany?

There may be divergent opinions whether or not the U. S. A. should use its power of the purse for establishing in Europe that system of free competition and free trade which originated in Britain in the famous year of the independence of America and which is now considered part of the American way of life—despite many breaches and deviations in fact and in law—a system which at present in Europe is largely replaced by dirigism and mercantilism.

At any rate it is rather astonishing that many of the highest U. S. A. officials, as well as senators and congressmen, consider the "pooling" (i.e., the centralized direction of coal and iron production) an ideal aim, and any opposition to it a severe political mistake, if not a moral fault.

In fact it is this hope for Franco-German conciliation by the pool, even more than the very debatable zest for European integration which is the basis of this very one-sided and biased position.

It is not the intention of the writer of this article to imitate the columnists and radio announcers who make predictions for the coming weeks. But with the knowledge of European economic and political conditions, one may with a great deal of probability foresee quite a number of changes in the scenery and constellation during the coming weeks.

First: It can be discerned even today that the divergent interests of the Continental nations will prevent any agreement which does not safeguard these national interests against the interference of a super-national court. The scope of the international regulation will be sharply limited and the rights not given up to the super-cartel will be "reserved to the states and the people."

If by no other signs, this is already indicated in the position taken by the Belgian industry, financially strong, technically reconstructed, and economically orientated toward export and international trade.

Second: Reduced to an interstate cartel of national cartels, a much amended Schumann plan may receive not only the blessing of the present British government, but even of the Labour Party itself, as soon as the respective Trade-Unions have found it advisable to become at least associate members of an organization which tries to protect and to raise profits and wages in their industry.

Third: If the Schumann plan should be accepted at least by the six original powers, the influence of the "Haute Autorite" would be considerably reduced, compared with Mr. Monnet's original proposition, and decisions and the principal questions of policy would be left to a council of government ministers, if not by unanimous vote, at least to a high qualified majority.

Fourth: When this coal and steel combine — which will anyhow have enormous economic power—will start working, one may predict that American public opinion and sentiment may change fundamentally from the present enthusiasm for European integration to the denunciation of un-American monopolistic tendencies and the demand for protective laws against this industrial colossus.

This article is based on the insufficient knowledge of the details available today (beginning of August). But after Mr. Schumann's recent refusal to give additional information even to the French Parliament, a critical analysis ought not be delayed any longer. Public opinion has to be prepared for the day when the six-power committee (France, Germany, Italy and the Benelux countries) shall publish their report.

Tyson & Co. Expands In Western Penn.

PHILADELPHIA, Pa. — Plans for large scale expansion of the investment firm of Tyson & Co., Inc., Lewis Tower Building, throughout Western Pennsylvania were announced by Albert B. Tyson, President.

The firm which recently opened offices in Pittsburgh is now extended its representation to Bradford, Altoona, Dubois, Erie, Johnstown, Meadville and Warren. In each city the firm's plans call for representation by local men.

Large Puerto Rico Revenue Bond Issue Taken by Investors

Allen & Co., Bear, Stearns & Co., and Ira Haupt & Co., all of New York City, headed the nationwide syndicate which underwrote the recent new issue of $25,000,000 Puerto Rico Water Resources Authority 2¾% and 2.80% electric revenue bonds. Reoffered at prices to yield from 1.30% to 2.80%, the bonds were quickly absorbed by investors. The speed with which the issue was disposed of by the underwriters furnished further evidence of the high regard held by investment circles for Puerto Rico bonds.

Walt Clyde Opens

Walt Clyde is engaging in a securities business from offices at 144 East 24th Street, New York City. He was formerly with Hunter & Co.

Samuel Sacks to Open

Samuel Sacks will engage in a securities business from offices at 1874 Third Avenue, New York City. He was formerly with Greenfield, Lax & Co. and Donald Young & Co.

Railroad Securities

Denver & Rio Grande Western

Denver & Rio Grande Western's operations have shown signs of improving recently and, concomitantly, there has been a perceptible improvement in sentiment toward the road's securities in financial circles. In the opening months of the year the operating and earnings performances had been quite disappointing, particularly in comparison with a year earlier. For one thing, the road gets a larger percentage of its freight revenues from bituminous coal than do any of the other western carriers. Thus, it was hard hit by work stoppages in the mines. Also, labor difficulties in the coal fields affected production of steel in the important mills of the Provo-Geneva area.

Also, relative to a year ago, it is likely that the road suffered somewhat from milder weather in other parts of the centralwest and southwest. In the winter of 1949 some competing roads were completely shut down by heavy weather for fairly extended periods. Some of the business that would normally have gone to them was unquestionably diverted last year to Denver & Rio Grande Western routes. There was no such windfall traffic during the 1950 winter months. These considerations resulted in an important year-to-year decline in freight volume, and, at the same time, a significant rise in relative operating costs.

Month-by-month for the period through April the transportation ratio ran consistently above the level of a year earlier. The cumulative rise for the period was 1.5 points, to 38.3%. In itself the rise was not particularly substantial but the unfavorable trend was disconcerting to railroad analysts. Concern was being expressed as to the possible duration of the trend and many analysts were inclined to adopt a "wait and see" policy. More recently, however, there has been a decided change for the better in the operating figures and once again many of the analysts have been adopting a more aggressively constructive attitude toward the long-term prospects for the road and its securities.

In more recent months revenues have continued to slide off but expenses have been under considerably better control. Taxes and charges have been higher than they were in 1949 but even at that, net income has been on the uptrend. This recent improvement has not as yet been of anywhere near sufficient proportions to offset earier declines. As the common stock has a substantial leverage represented by requirements on senior securities, per-share results have been particularly affected. For the first half of the year earnings on the common, before sinking and other reserve funds, amounted to $0.58. In the opening half of 1949, $2.83 a share was realized on the same basis.

The company normally experiences a pronounced seasonal bulge in traffic and earnings starting in August and running right through the final month of the year. The prospects for operations during the seasonal high period are particularly bright this year. Steel operations in the company's territory are almost certain to be at peak levels so far ahead as we can now see. Prospects for other relatively new industries on the line are promising. Finally, with its materially improved competitive position with respect to transcontinental business the company should get an expanding volume of profitable through traffic generated by conditions in the Pacific.

With the highly favorable traffic outlook, unaffected by strikes in major industries such as were faced last year in the second half of 1949, earnings for the final five months should be quite high. July results will, of course, be affected by the switchmen's strike that was not called off until the sixth of the month. All in all, it now seems probable that full year's results will at least match the $7.27 reported in 1949 before sinking and other reserve funds. Under such conditions, dividends should at least match the $2 paid in each of the past two years, with the second dollar probably to be declared at the August meeting of the directors.

Continued from first page

As We See It

the Republicans in their turn seemed to have little to say that appeared to the ordinary man to promise very much that was constructive.

Did Not Count on the Kremlin

But no one had counted upon the Kremlin. When the Communists crossed the 38th parallel, the political situation was born again, as it were. It was at once evident that someone in the Administration had blundered, and blundered badly. Political policy—if indeed there was such a thing—and military preparedness—if indeed there was such a thing—were as far apart as the poles. American soldiers soon were dying in Korea, and the impotence of our small, ill-equipped force was soon evident enough. All this was something that the great rank and file could hardly fail to see even if they were not always able to follow the intricacies of international policies. It was moreover a situation for which no one but the Democratic regime in Washington could possibly be responsible. And the tragedy of it all has reached directly into more than one American home, and will without doubt reach into a good many more before we are through with it all.

All this came, moreover, on the heels of "investigations" which, though farcical at times and more or less squelched by the Administration at others, nonetheless left the rather definite impression that the Administration (and the Democratic regime which preceded it) had been lax and ineffective in dealing with an extensive and an astonishingly pervasive Communist spy system in this country. The unfortunate extremes to which some of the Republican accusers—notably, of course, Senator McCarthy—went in making charges weakened the entire effort, but that the situation was serious and had been very serious, one can no longer doubt.

Meanwhile, it is evident enough that the Fair Deal experiments in statism—often in the past suggested by the President—are no longer good political bait. Some of the control powers the President once asked—and more, probably—will without much question be given him now that war is upon us. They will be given to him, however, as a war measure, not an anti-inflation step. There may be quite a difference. There is ample precedent for the grant of such powers in time of war; there is none in time of peace. Grandiose schemes of public health and education and other programs of a like sort are obviously dead ducks for the duration. So also with some of the worst features of the President's farm subsidy proposals. There is more precedent for turning away from such programs in times of war than in times of peace, but at least we may be grateful that we shall not be saddled with them for the present.

Conducting the War

Problems which have to do with managing the war—which is now a little war, but which, though God forbid, could grow into a big war—must of course absorb much of the attention of both Congress and the Executive branch during the next 12 months at least. That they will be injected into the political campaign now getting under way may be taken for granted. Certainly, it would be heartening if there were to rise in the ranks of the opposition some constructive criticism of the way in which many of the problems of World War II were dealt with, and corresponding suggestions for improvement in the way in which this war is managed. This is particularly true of its larger aspects such as taxation, borrowing, finance in general, and relations with the business world, including labor. We shall need all the good counsel we can get on the subject.

But to be really heartening much more is necessary. The economic health of this country depends not merely upon improving or altering basic policies so far as they have to do with the conduct of the Korean war. We are fully as much in need of radical alteration of the whole course of policy as a matter of peacetime management of our affairs. It would avail little to do better in the management of this small war, and fail to root out the rot which is gnawing at the roots of our economic well-being day in and day out whether or not we happen to be engaged in a war. This may or may not be the time to make the supreme effort to change the course of public policy from the ground up, but if some such idea were evident in the background of the thinking of the opposition, we are certain that many, many thoughtful men and women in this country would feel really heartened.

We Can Never Afford Them

Of course, it should be evident to all that if we cannot afford this or that semi-socialistic fol-de-rol with a war on, we really cannot afford it at all. If in cold fact we cannot afford to pay large political bribes in this year of our Lord, 1950, we cannot afford to do so in any other year. War may make it more urgent that we act as if we had not lost our economic reason entirely, but it is just as essential that we act rationally at all times. It is most devoutly to be hoped that the American people will not lose this important fact to sight.

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The Banks and the War

ury Savings Bonds, the banks have continued to assist in placing these securities with the public during the postwar years. They are ready again now to make further efforts in support of the Treasury Savings Bonds sales. Well over $50 billion of Savings Bonds are held by the public. This is approximately one-fifth of the total national debt. It is estimated that the banks have sold or acted as distributing agents for more than $40 billion of the total Savings Bonds outstanding.

Another important war service of banking is, of course, providing credit for the producers of war material. This consists of lending to war industries to enable them to expand and operate their plants, acquire raw materials, and meet growing payrolls. These industries may again require great amounts of credit. The new Defense Act provides for government guaranty of such loans under regulations now being developed similiar to the "V," "VT," and "T" loans of the last war.

War production loans showed a steady rise between 1940 and the end of 1944, when the maximum amount outstanding was $8½ billion. This figure represents only the war production loans outstanding at that time, made by about 400 of the larger banks in major cities, as distinct from the total of all war production loans made by all banks throughout the war. The total of all these loans made by the banks is estimated to have been well in excess of $20 billion. More than half, or about $11 billion of these loans, were made by the banks without any government guaranty of the borrower's credit.

I urge every bank receiving requests for loans from war producers throughout this war to make every loan it possibly can without use of the government's guaranty. Except in such instances where the amount of credit needed for fulfillment of contracts is so large that it injects great risk in the borrower's future financial soundness, and the soundness of the loan, every extension of credit should be made on the borrower's own credit worthiness and the merits and need for the loan.

Banks Can Finance War Production

As to the ability and willingness of the banks to finance war production borrowers, there is no question. The banks are able to provide tremendous amounts of such credit. Never before have they had liquid assets and reserves so readily available to help finance war producers. Bank lending officers gained an enormous amount of experience in extending such loans during World War II. This can prove to be of inestimable value again.

Food and farm products are a vital need of both the armed forces and civilians during a war. Operating under the Food For Freedom program in World War II, the banks financed the tremendously increased output of the nation's farms during the war years. In the two-year period 1944-45—the peak farm war production years — the banks made more than 13 million farm production loans, totaling more than $7 billion. The banks are ready, willing, and able to finance all necessary food and farm production during this war.

At the start of the last war, funds and other assets of enemy nations and individuals were present in this country in large amounts, sometimes as accounts maintained by their satellites. These accounts and other enemy property were seized for the government by the banks, in accordance with the Alien Property Act, to help prevent espionage and other subversive enemy activities. The banks are ready to cooperate promptly and fully with the government again in performing these services if they are requested to do so.

Warning to Banks

With respect to non-essential uses of commercial credit, I should like to point out that on July 17, the ABA sent every bank in the country a communication urging the banks voluntarily to appraise carefully all loan applications and the credit needs of their customers, to make sure that bank loans do not stimulate inflation and are not used for speculative purposes. We are delighted with the response and cooperation with which the banks are meeting this request. The ABA's Voluntary Anti-Inflation Credit Control Program, begun two and half years ago, was highly effective. It proved that more extensive credit controls and higher statutory reserve requirements were not needed to restrain credit expansion. Again I emphasize that constructive, voluntary acts by the individual banks can do the job.

Following the ABA's recommendations to the banks on July 17, the Reconstruction Finance Corporation announced last week that its loans would be confined to defense or war purposes throughout the war emergency. The RFC deserves commendation for this sound policy. Nothing would be gained if lending agencies of the government were to make loans that are unnecessary to the war effort, while private leaders are following constructive, anti-inflation credit policies. It is our hope that other lending agencies of the government will also follow policies similar to that established by the RFC, and confine their loans to those that are genuinely productive and of aid to the nation in war.

Consumer Credit Regulation

Regulation of consumer credit in wartime is again authorized in the new Defense Act. The Federal Reserve Board will administer regulations restricting down-payments and terms. Throughout World War II, the ABA's Committee on Consumer Credit cooperated closely with the Federal Reserve Board; and again it has offered its services to the Board in drawing up and administering regulations under the new law. Until the new regulations are fully worked out, and schedules of loan terms and maturities are made public, I urge every bank to observe the schedule of terms and down-payments suggested by the ABA in a bulletin sent to all banks last June. I also urge them to request all other consumer credit lenders with whom the banks do business to observe similar schedules of terms and payments.

Construction of housing projects in near war production and defense centers during the last war called for substantial outlays of mortgage credit. The banks are again ready to make loans to finance these essential housing projects, under Title VI of the Federal Housing Act, on construction that the government may authorize. We have not as yet been informed as to what projects may be constructed, but we are ready to fulfill any needs for such war housing credit.

At the same time we are hopeful that the extremely liberal mortgage loan terms for civilian housing that have been sponsored and provided by Federal housing and mortgage loan agencies throughout the postwar period will be promptly and materially tightened. On many occasions during the postwar period, and in testimony before Committees of Congress, the ABA has emphatically pointed out that government real estate credit policies were contributing materially to inflation and to the high cost of housing, and inducing weaknesses that could materially harm the whole economy. Continued flow of government-sponsored liberal credit into the housing market now can seriously impair the war effort and jeopardize the production of war goods by siphoning off lumber, cement, metals and other materials, and adding to the force of inflation.

There is no justification and no excuse for excessive mortgage credit policies, practices, and terms by government housing agencies. We hope that federal laws and regulations will be so adjusted that these agencies will conform to sound policies under wartime conditions. I also urge every bank in the country to continue to use wisdom and care in granting real estate loans, to the end that no additional strain may be imposed upon our overtaxed economy.

Creation of tremendous Army and Navy centers, bases, posts and encampments in wartime requires special banking facilities and services for armed forces personnel and their supply units. In a number of instances, these branch banks have been maintained intact, wherever justified by defense establishments, since the end of World War II. The banks are prepared to expand these facilities and services as needed. They are also ready to make special arrangements for cashing monthly government checks for families of men in the armed forces who receive dependency allotments. As in the past, special identification systems will be established for these payees, especially for the convenience of those who have no regular banking connections.

Establishment of the ration coupon system during World War II posed tremendous coupon collection and accounting problems for the OPA. Under the leadership of the American Bankers Association Ration Coupon Banking Committee, ration coupon accounts were set up in more than 14,000 banks for wholesale and retail concerns. More than 1,550,-

000 ration coupon accounts were maintained by the banks under the OPA's six rationing programs. Many billions of gasoline, meat, sugar, and other ration coupons were credited and debited to these accounts. Special bookkeeping procedures, techniques and trained personnel were required to handle these coupons as they flowed through the channels of industry and trade. The banks have a great fund of experience to draw upon concerning this phase of rationing.

The Federal Revenue Acts passed during World War II established, for the first time in the history of the Bureau of Internal Revenue, the withholding method of collecting income taxes at the source. The banks have continued to serve as special depositories for these government funds. Taxes so collected are now being placed by the banks in special Treasury War Loan Accounts. These accounts were originaly set up for the government during World War I in 1917, and have never been closed. They are on a "ready and active" basis and are being used by the United States Treasury.

I know that I speak for all bankers throughout the country when I voice our determination to do all that we can to aid this nation during the war, as we have in peace. We, like everyone else in this country, had hoped until Korea that war could be avoided. It is still our hope that the war lords of Communism may be brought to reason. Failing this there is no choice but to plan and to do our part in the defense of this country.

Ind. Stamping & Mfg. Co. 5% Bonds Offered By P. W. Brooks & Co.

P. W. Brooks & Co., Inc. is making a public offering today (Aug. 17) of $500,000 principal amount of new issue of Industrial Stamping & Mfg. Co. first mortgage 5% sinking fund bonds, due Nov. 1, 1967, at 100% and accrued interest.

Proceeds from the sale will be used to discharge $170,000 of liens on certain properties, and the balance added to working capital.

The offered bonds carry detachable warrants to purchase a total of 60,000 shares of the company's common stock. These warrants, initially attached to the bonds, detachable at any time, entitle holders to purchase 120 shares of common stock for each $1,000 bond and 60 shares for each $500 bond at prices ranging from $1.50 per share on or before Aug. 15, 1951, to $5.50 per share after Aug. 15, 1954 but before Aug. 15, 1955.

The new bonds are redeemable at 105% and accrued interest prior to May 1, 1960, and at prices ranging to 100% and accrued interest after May 1, 1966.

Incorporated under Michigan laws on Nov. 23, 1937, the company originally produced deep draw and rough stampings and assemblies for the automotive, refrigeration, household appliances and other industries. It is currently engaged in the production for these industries of various types of single and multiple stampings and assemblies. These include bumper uprights, automotive grilles and decorative parts requiring chrome plating, radiator shells for diesel power units, vacuum cleaner parts, compressor shells, engine pans, brackets, and various stainless steel items. The company also produces stainless steel beer barrels, stainless steel acid containers and alloy steel propane gas cylinders for the brewing, chemical and "bottled gas" industries, respectively.

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The State of Trade and Industry

Customers are told they will get faster delivery when this information is supplied. The tonnage still comes out of their quotas. One producer is even setting aside a definite percentage of its production to take care of government orders.

The curbstone brokers, "The Iron Age" points out, are working overtime on gray market deals, and some cold-rolled sheets have been sold for as much as $260 to $280 a ton. But the gray market can't make much headway in the face of its bad record in the past. Careful policing of orders by the steel industry leaves foreign steel as the best source for this business.

Scrap prices have again blown the lid off the market. For the second week in a row they have scored smashing advances. Gains scored this week have exploded, "The Iron Age" steel scrap composite price $1.08 a ton to $40.25 a gross ton, near the high for the year ($40.92). Much of the strength in scrap prices stems from record steelmaking.

The American Iron and Steel Institute announced this week that the operating rate of steel companies having 94% of the steel-making capacity for the entire industry will be 100.1% of capacity for the week beginning Aug. 14, 1950, compared to 99.9% a week ago, or a rise of 0.2 point.

This week's operating rate is equivalent to 1,930,600 tons of steel ingots and castings for the entire industry, compared to 1,926,800 tons a week ago. A month ago, based on new capacity, the rate was 98.2% and production amounted to 1,894,800 tons; a year ago, based on the smaller capacity then prevailing, it stood at 83.5% and 1,538,300 tons.

Electric Output Advances to Further New High Record

The amount of electrical energy distributed by the electric light and power industry for the week ended Aug. 12, was estimated at 6,253,141,000 kwh., according to the Edison Electric Institute.

Output for this period established a further new historical high record for the industry.

It was 5,677,000 kwh. higher than the figure reported for the previous week, 723,051,000 kwh., or 13.1% above the total output for the week ended Aug. 13, 1949, and 935,417,000 kwh. in excess of the output reported for the corresponding period two years ago.

Carloadings Turn Lower

Loadings of revenue freight for the week ended Aug. 5, 1950, totaled 837,218 cars, according to the Association of American Railroads. This was a decrease of 7,631 cars, or 0.9% below the preceding week.

The week's total represented an increase of 120,355 cars, or 16.8% above the corresponding week in 1949, but a decrease of 41,429 cars, or 4.7% below the comparable period in 1948.

Auto Output Improved the Past Week

According to "Ward's Automotive Reports" the past week, motor vehicle production in the United States and Canada increased to an estimated total of 186,750 units, compared with the previous week's total of 175,575 (revised) units and 144,078 units a year ago.

The gains offset almost complete loss of Nash production due to a closedown of its main plants in Kenosha and Milwaukee for inventory, vacations and changeover to new models, the agency stated.

Total output for the current week was made up of 153,294 cars and 30,731 trucks built in the United States and a total of 1,955 cars and 770 trucks built in Canada.

Business Failures Extend Advance of Previous Week

Commercial and industrial failures rose to 194 in the week ended Aug. 10 from 168 in the preceding week, Dun & Bradstreet, Inc., reveals. At the highest level since May, casualties exceeded their number in 1949 and 1948 when 176 and 103 concerns failed respectively. Despite this increase, failures remained 23% below the prewar total of 252 recorded in the comparable week of 1939.

Casualties involving liabilities of $5,000 or more increased to 155 from 141 and were above a year ago when 132 of this size occurred. A rise also appeared among small failures, those having liabilities under $5,000, which rose to 39 from 27, but remained below the similar 1949 level.

All industry and trade groups except manufacturing reported weekly increases in mortality. Meanwhile, failures in manufacturing dipped and was the only line which had fewer casualties than a year ago. A mild increase from 1949 occurred in the other industry groups.

The Pacific States accounted for most of the week's rise, reporting twice as many failures as in either the previous week or in the corresponding week of 1949. The East North Central States had a slight increase; declines, on the other hand, appeared in the Middle Atlantic and in the New England States. Three regions, the New England, Middle Atlantic and Pacific States, had more businesses failing than in the similar week of last year. Among the other six regions where yearly declines prevailed, the most noticeable appeared in the East North Central and West South Central States.

Food Price Index Levels Lower After Seven-Week Rise

The Dun & Bradstreet wholesale food price index leveled off last week and for the first time in two months failed to show a weekly rise. The index for Aug. 8 remained unchanged at $6.53, the highest level since Sept. 28, 1948, when it stood at $6.70. The current figures compares with $5.89 on the corresponding date a year ago, or a rise of 10.9%.

Index represents the sum total of the price per pound of 31 foods in general use. It is not a cost-of-living index.

Commodity Price Index Rises to New High Since July 16, 1948

After moving in a narrow range most of the week, the Dun & Bradstreet daily wholesale commodity price index rose sharply to 284.17 on Aug. 8, a new high since July 16, 1948, when it stood at 284.33. The latest index compares with 280.71 a week earlier, and with 238.99 on the like date a year ago.

Grain price movements on the Chicago Board of Trade were mostly irregular last week with early strength followed by a general decline in values. Both wheat and corn showed further losses from a week ago.

A slowing up in demand, continued favorable crop developments, and uncertainty over possible price control legislation were the principal factors in the easiness of the market.

Cash wheat showed some firmness toward the close. The condition of the new spring wheat crop continued favorable with harvesting reported under way in southern sections of the belt. Cash corn was quite active with a good demand noted from eastern sources. Although market receipts of new crop oats were below expectations, there were sufficient arrivals to have a depressing effect on prices.

Domestic flour bookings last week were inclined to lag; bakers and other large users showed little interest in current offerings pending expected pressure of new spring wheat in the near future. Despite signs of resistance to current high prices, cocoa values rose to new high ground for the season as dealers and manufacturers pressed for available supplies. Offerings from primary markets continued light. Business in the actual coffee market was rather quiet with spot prices holding firm although some easiness appeared in the futures market.

Trading in roasted coffees was reported in good volume.

Reflecting the continued uptrend in raw sugar markets, eastern sugar refiners raised their prices 15 points to the basis of 8.25 cents a pound.

The government announced over the week-end that a price of 6.23 cents a pound delivered has been set on the recent purchase of the surplus of 600,000 tons of Cuban raws. Lard prices moved downward as demand fell off. All classes of livestock declined moderately from a week ago as the result of more liberal marketings.

Persistent hedge selling against CCC pooled stocks and the movement of the new crop exerted a depressing influence on domestic cotton prices throughout the past week. The New York spot quotation fell 135 points to 38.18 cents, from 39.53 a week ago. Mill and trade price-fixing was in limited volume while export buying showed a decline from recent weeks.

Loan repossessions of 1949-crop cotton in the week ended July 27 dropped sharply to 88,842 bales, from 215,148 a week previous, and 215,708 two weeks earlier. Withdrawals for the season through July 27 totaled 2,689,513 bales, leaving a net stock still under loan of 500,637 bales.

Trade Volume Responds Modestly to Clearance Sales and Promotions

As intensified promotions began to replace waning anticipatory buying as a sales stimulus, consumer spending increased slightly in the period ended on Wednesday of last week. Overall retail dollar volume continued to be moderately above the level for the comparable period in 1949, Dun & Bradstreet, Inc., notes in its current summary of trade.

Clearance sales and other promotions were particularly noticeable in the retail apparel trade, as last week's volume rose moderately.

Coats and suits were frequently bought by shoppers, in keeping with seasonal expectations. Formal dresses and blouses were in high demand where promoted. Men's shirts continued to attract wide interest in many vicinities. There was a slight nation-wide rise in the sale of children's wear and sports clothing.

The unit volume of food declined somewhat in the week, although the high price-level of certain items helped maintain dollar sales at the level of the previous week. The consumer interest in meat and some canned foods dipped slightly, while some kinds of fresh fruits and vegetables were increasingly popular.

While abnormal buying resulting from international developments had receded somewhat by last week, the interest in housefurnishings was kept at a high level by vigorous promotions in furniture and some other lines. Besides furniture, there was increased purchasing of large appliances, television sets and floor-coverings.

Total retail dollar volume in the period ended on Wednesday of last week was estimated to be from 5% to 9% above a year ago. Regional estimates varied from last year's level by these percentages.

New England +4 to +8; East +3 to +7; South and Pacific Coast +5 to +9; and Midwest, Northwest and Southwest +6 to +10.

Despite evidence of much forward buying in some commodities, there was no appreciable change in the aggregate amount of wholesale ordering in the week. Order volume for the country was slightly above the level for the similar week a year ago. Slightly fewer buyers were in attendance at various wholesale centers than during the previous week with the number moderately below that of a year ago.

Department store sales on a country-wide basis, as taken from the Federal Reserve Board's index for the week ended Aug. 5, 1950, rose 29% from the like period of last year. An increase of 42% was recorded in the previous week from that of a year ago. For the four weeks ended Aug. 5, 1950, sales showed a rise of 35% from the corresponding period a year ago, but for the year to date register an advance of 3%.

Retail trade in New York remained active last week notwithstanding the fact that scare buying was on a much reduced scale.

According to the Federal Reserve Board's index, department store sales in New York City for the weekly period to Aug. 5, 1950, advanced 19% from the like period of last year. In the preceding week a rise of 38% (revised) was registered from the similar week of 1949. For the four weeks ended Aug. 5, 1950, an increase of 25% was noted and for the year to date volume showed a decrease of 2%.

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Observations . . .

pushed into that quagmire by the aggressor, the ruling circles of the United States of America. . . ."

"Under the mantle or resolutions of the General Assembly that were illegal and that were imposed by the Government of the United States in the first place, and that were adopted on the basis of unilateral information supplied by the Americans and by Syngman Rhee, and in an attempt to transform all of Korea into its colony, the Government of the United States decided to provoke an armed conflict in Korea between the governmental camp of Southern Korea and the governmental camp of Northern Korea, banking on an easy victory—that easy victory which had been promised by the American generals who had been training Syngman Rhee's troops in Southern Korea for that purpose for a long time. . . ."

"These resolutions cannot cover up and cannot explain or justify the blood-thirsty aggression of the Government of the United States of America against the Korean people."

"It is American flyers who are carrying out the orders of the war-mongers and aggressors, who are busy killing hundreds of thousands of the peaceful people of Korea, women, children and old men. . . ."

"Mr. Austin tried to talk here about the tragic fate of the Koreans. Such words coming from the representative of the United States are utterly hypocritical and false. These are the crocodile tears of the ruling classes of the United States of America. They are very little interested in, and very little affected by, the fate of the Korean people. As business persons, they are interested in business. They are interested in the subsoil and other resources of Korea; they are interested in cheap manpower in that country under the favorable conditions of a puppet colonial regime headed by Syngman Rhee, that tried and true servant of American monopolists.

"It is also generally known that American militarists are interested in Korea as a strategic springboard directed against the continent of Asia.

"Is it not clear that the ruling classes of the United States of America are worried not about the fate of the Korean people, but about the future of their capital investments in Korea, for the protection of which they set up this watchdog, the so-called National Defense Army of the Southern Korea puppet government?"

and

"On what basis, by what right, on what foundation of international law are the ruling circles of the United States of America perpetrating all this criminal banditry against the peace-loving, talented and hard-working Korean people—the people of a country that, since olden times, has been called 'The Country of Morning Repose'?"

Continued from first page

Federal Financing in Crisis

resting on the Administration and the Congress is to take vigorous steps to reduce the nonmilitary expenditures of the government drastically, even though this would involve reduction, or possibly the elimination, of some domestic civilian programs which under normal circumstances might be desirable.

A second, related step of the same character should be a prompt review of the policy of supplying both Marshall Plan aid and arms aid. By and large, economic recovery has proceeded far enough to warrant a substantial curtailment of recovery aid, thereby making possible an equivalent diversion of recovery funds into such arms aid as may be decided upon. It is not improper, either, under the circumstances now confronting us, to suggest that the North Atlantic Pact nations would do well to readjust their own budget programs with a view to building up their own defense potential. The general appropriation bill as reported to the Senate, carried $2,392 million for ECA. In view of the present emergency, consideration should be given to diversion of a substantial portion of this amount to the arms aid program, if there is to be a total allotment to that program greatly in excess of the $1,223 million already approved for that purpose.

By taking these steps, the urgency of which cannot be overemphasized, the prospective deficit for the current year could be reduced by several billions of dollars. The President has already ordered the application of some restrictive measures, notably with respect to consumer credit, housing loans, and various departmental and agency curtailments. These steps should be supplemented by an all-out, rigorous pruning of the non-military expenditures all along the line.

Granting that there be undertaken the kind of expenditure reduction that is here proposed, there would still remain a need for additional revenue beyond that which the existing Federal tax system can produce. This memorandum is directed to a discussion of the ways by which the necessary additional revenue can be secured. The primary objective of the discussion is to indicate the kind or kinds of tax adjustment that will best serve the revenue need and at the same time further other essential requirements of the public interest. Our aim is the development of sound tax policy, and not the protection or the special interest of any group.

It should be said at the outset that industry has no desire for war profits and no sympathy with war profiteering. Businessmen fully realize that war destroys lives, erodes capital, consumes wastefully our diminishing reserves of limited natural resources, and expends manpower on products which do not contribute directly to the welfare of the people. It is believed that business leaders are prepared to cooperate in all ways with the government to prevent war profiteering.

The President's Proposals

The immediate and specific issue, with respect to the next step in tax legislation, is presented by the President's letter of July 25 to the chairman of the Congressional fund-raising committees. In this letter he proposed three adjustments in the bill (HR 8920) already passed by the House. These were:

(1) Eliminate the excise-tax reductions and other revenue-losing provisions, but retain the loophole-closing, dividend withholding, and life insurance company tax provisions;

(2) Adjust the revised corporate rate structure by increasing the normal corporation tax rate from 21% to 25%, but retaining the proposed exemption of $25,000 from surtax;

(3) Increase individual income-tax rates to the "tentative" levels adopted in 1945 by removing the reductions from those levels made in 1945 and 1948. This would leave unchanged the income-splitting provisions of present law and the present personal exemptions of $600 per person.

In support of the recommendations for the above tax adjustments, the President said, in his letter:

"We embark on these enlarged expenditures at a time when the Federal budget is already out of balance. This makes it imperative that we increase tax revenues promptly lest a growing deficit create new inflationary forces detrimental to our defense effort.

"We must make every effort to finance the greatest possible amount of needed expenditures by taxation methods which prevent profiteering and distribute the tax burden fairly among the different groups of our people."

The President appears to accept the current budget deficit as a matter of course. In the writer's view, it is a matter of high duty to bring the current budget into balance and also to pay for the defense program as we go. As of the middle of July, the gross public debt was $257.1 billion, compared with $251.7 billion on the corresponding date a year ago. Among the values that we are engaging in war to defend is the soundness of the dollar as a measure of our wealth, our income, our standard of living, and the stability of our government. If we do not take effective steps, while there is still time, to assure financing methods that will preserve the value of this basic support of our economy, we can easily pile up such a mountain of debt as to make debt repudiation inevitable. The resulting widespread impoverishment of large groups of our people would create the very condition most favorable to acceptance of socialism or communism, both of which thrive on discontent, on poverty, and misery. The first point of criticism of the President's fiscal proposals is, therefore, that it is not sufficiently firm on the fundamental necessity of eliminating the deficit and paying in full for the defense program as we go.

The second general point of criticism is corollary to the above. The President's tax proposals do not measure up even to his own standards of paying as we go. The reason is that the recommended changes in the income taxes cannot produce additional revenue in any substantial amount until some time in the calendar year 1951. The cutback of the individual tax to the 1945 level would show up first as an increase in withholding rates, but it would be at earliest, virtually the end of the current calendar year before there would be an increased inflow from withholding agents. The remainder of the added impact on personal incomes would show up, partly as of Jan. 15, and partly as of March 15, 1951. The recommended increases in the corporation tax rates would not be reflected in increased collections until 1951. A similar delay would occur with respect to the great bulk of the loophole plugs, and the insurance company tax increases.

The result of this tax program, if adopted, would be a steadily mounting deficit and a serious time lag before there could be appreciable gains in receipts. The inflation which the President is anxious to avoid would be under way before his tax measures could begin to be effective in preventing it.

Excess Tax Program Not Adequate

This brings me to a serious criticism and comment on the proposed tax program. It is that the excise taxes are not adequately considered as a way of getting a substantial increase of revenue promptly. This matter is important enough to warrant exposition at some length, even if it appears to involve a diversion from the main theme.

(1) Both the people and the government must at all times derive their support from current product. We cannot eat next year's food this year, nor make guns and airplanes now out of next year's mine output.

(2) Government use of current product, goods and services, involves a diversion of part of the total from private to public use. When government's requirements increase, as happens in the event of enlarged defense preparation, or in actual war, the share of the total available for civilian use is correspondingly diminished.

(3) Whether government is taking only a moderate part of total product as in peace, or it may be a substantial part as in defense building or war, this part of the product must be paid for. With a balanced budget, the payment is effected by taking income from the people through taxation and, to a small degree, through non-tax charges such as fees, fines, penalties, and other miscellaneous receipts. Under this situation, taxing and spending have neither an inflationary nor a deflationary effect. Government income is a reduction of private income, and public spending is a substitute for private spending.

If the budget is in a deficit condition, it means that government is creating its own means of payment without a corresponding reduction of private income. That is, taxation is not productive enough to cover all of the spending. When the deficits are large and continuing, there is every likelihood that government will finance the deficits through bank loans, which means the creations of new and additional purchasing power. But government diversion of a material portion of the total product plus bank-financed deficits means that there is now relatively more purchasing power, in total, than there are goods and services, and the consequence inevitably is an increase of prices. This is the open manifestation of price inflation, the basic source of which was the creation of new purchasing power through the bank loans.

(4) In order to support the government through a period in which its diversion of product must be large and at the same time to avoid inflation, there must be a diversion of income equivalent in the aggregate to the diversion of product. This brings us to the effective ways of accomplishing the necessary equivalent diversion of private purchasing power.

The first way of achieving this diversion to be considered, and in the situation immediately confronting us the most effective way is through an expansion of the excise taxes. The direct effect of an excise tax on consumption goods is to take more of the purchaser's income than would be required by the price of the article. Since virtually all individuals have, at any given time, only a certain amount of income, it follows that excise taxes limit the amount of buying that can be done. The higher these taxes, the more stringent is the limitation. And also highly advantageous in the present circumstances is the fact that the revenue from excise taxes will begin to flow toward the Treasury within a month or so from the effective date of the tax. Prompt attention by the Congress to enactment of suitable excise tax legislation is the only way by which the gap between spending and receipts can be closed over the next few months and as noted above, if this gap is allowed to remain, if this gap is allowed the proposed income tax changes begin to show substantial results, it may be so wide that there will be no possibility, then, of closing it.

The President recommended, as a point in his immediate program, that the excise tax reductions of H.R. 8920 be omitted. This would have the effect of preserving the revenue at about its present volume, which includes some $4 billion from excise taxes other than those on alcoholic beverages and tobacco. It is submitted that this is an inadequate and unsatisfactory way of dealing with the excise tax problem, for these reasons:

(1) The present Federal excise tax system is highly selective and discriminatory, illogical and inequitable. It applies to only a minor portion of the total of goods and services available for consumer use. The selection cannot be defended on any logical line of distinction between luxury and non-luxury goods. As an inflation control it is ineffective, for there still remains a large volume of untaxed goods and services not subject to excise tax. It is equally ineffective as an instrument for distributing fairly the burden of the defense cost and the burden of civilian deprivation which is the necessary complement of the of the enlarged diversion of product to government use.

(2) The inequalities and evident discriminations of the present excises are productive of discontent and bad morale. Their retention as we go into a period of substantially higher tax burdens and greater civilian consumption curtailment can and should be avoided.

The solution that is recommended here for the obvious defects of the present excise tax system is the repeal of all existing excises except those on alcoholic beverages and tobacco, and the substitution of a general, uniform excise at the point of final manufacture on all goods except foods and food products.

With respect to a manufacturer's excise tax, it should be noted, first, that it is not a new form of Federal taxation. The excise taxes which the President recommends for retention include not less than 20 classes of goods that are taxed on the basis of the final manufacturer's price. In 1949 the total yield from these taxes was $1,771.5 million, or nearly half of the total yield of the excises here under consideration.

Second, the tax would be levied in all cases at the final point of manufacture. This point would be determined, for all taxable goods, as it now is under the present manufactures' excises. The procedure is that the seller does not include the tax if the buyer can furnish an exemption certificate, obtainable from the Bureau of Internal Revenue on a showing that the buyer ordinarily uses the materials purchased in some further process of manufacture.

Third, it is not feasible generally to provide that the tax be shown as a separate item and thus invoiced through the subsequent stages of the distribution process. The actual tax payment will be made by the final manufacturer who has collected it at the time of sale, and there will be an eventual reimbursement from the final consumer as the goods are sold to him.

A Uniform Sales Tax

This raises some points about the tax which should be cleared up. With regard to these points, however, it should be remembered

that the people have been living with exactly this kind of tax for many years and under it they have been contributing a large amount of revenue through the levy of a wide range of rates on a limited list of taxable goods. All that is proposed here is that the list be extended to include everything except foods, alcoholic beverages and tobacco, and that the rate be uniform across the board. This rate should be such as would produce, during the emergency, more revenue than that provided by the present excises to be repealed.

One point likely to be brought up is that the tax will be pyramided. It will be said that after the tax is paid, it becomes a cost to be carried forward, and that each middleman in the distribution chain will compute his markup on the tax as part of his cost. Hence, by the time the article is sold at retail, it is alleged that the consumer will pay much more than the tax by reason of the percentage increases. Some of the present manufacturers' excise taxes are at the rate of 25%. There was no testimony before the Ways and Means Committee in regard to the excessive prices paid by the consumers of these goods on account of a pyramid of the taxes through to the consumers.

So far as can be learned, there has been no serious complaint on this score with respect to the 20 classes of goods now taxed at the final manufacturing level.[1] The extent of pyramiding has been exaggerated. If it were to occur consistently," the practical result would be that profits at the several distribution levels would be greater than they would be if there were no such tax because inclusion of the tax would create a larger cost base for computing markups. And it would follow also, that the higher the rate of tax, the greater the middleman profits would be This view disregards the source and reason for profit, which is a return that is gained from the successful performance of a service that others are willing to pay for. In the field of merchandise distribution, this service consists essentially of supplying to consumers the kinds and qualities of goods that they want, at prices they are willing to pay. The value of this service, from the consumer's standpoint, is not enhanced by the fact that the various middlemen are acting, in turn, as relays in a tax collection process. The competition for the consumer dollar in which all of the thousands of merchants and other distributors are engaged is the effective determinant of the profit rewards which any of them will get. The issue involved is not whether the consumer will bear the burden of the tax, but rather one of how much more than the tax he will pay because of the actual pyramiding. It is evident that whatever the consumers pay, over and above the tax, would constitute enhanced middleman profits. The position taken here, on the basis of economic logic, is that competition throughout the distributive mechanism will tend to prevent any abnormal surcharge above the tax, because the mere relaying of the taxes not a service which the consumer would value enough to pay for.

"The point that has been exaggerated is that there will be an abnormal expansion or blowing up of the original tax by the time it gets to the consumer. If it were really true that all distributor profits would be materially enhanced because of this tax collection service, the middleman groups should logically demand a high tax rather than a low one or none at all. Actually, they know that a high tax would diminish both their sales and their profits. The advantage of a low tax rate across the board is that it does not discourage sales unduly, and it tends to keep the general competitive situation in a state of balance, so far as concerns all classes of goods, all producers, and all consumers.

"The fact that this, as well as all other excise taxes, must be borne by consumers is not a valid argument against such taxes. All taxes come out of income, either as it is received or as it is spent Regardless of where or by whom the original tax payments are made, their burden falls ultimately on the income of the people. This ultimate burden cannot be escaped by avoiding excise tax and concentrating the levies upon income. To some extent such levies are shifted promptly, and in any event the final result of excessive income taxes will be to hamper the formation of capital to a point where the consumers will be forced to foot the bill in higher prices or lower living standards.

"Another point is likely to be the objection that such a tax would be 'regressive.' As this term is used by the academicians, it means that a given amount of tax is a larger proportion of a small income than the same amount of tax would be of a large income. Being a matter of arithmetical relations, this criticism can be brought against many taxes, but the argument is always advanced most vociferously when the contestant is opposing a tax. If he happens to like a tax, this point is soft pedalled.

"The fact this is usually overlooked in such arguments is that the purchase price of a given article is itself a larger proportion of a small than of a large income. In other words, the complaint which is lodged against the tax, usually a small part of the total price, could, with even greater force, be lodged against the whole system of market prices. There is no practical way, in a free economy, by which the system of prices can be so modified as to produce a different result. The implication of the criticism directed against the excise taxes as being regressive is that there is involved some sort of unique oppression of those with small incomes. By this standard there is a far greater degree of oppression in the whole price system than there can be in taxes which are ordinarily only a small proportion of the price. And, if this line of argument were valid, either as to its major or its minor applications, there should be some indication of this oppression somewhere in the economy. There is no such indication. On the other hand, the nation has grown and prospered under a regressive price system. A moderate, uniform excise tax would not impede or dampen that prosperity as much as would additional heavy income taxes.

"Another point to be mentioned briefly is the concern of some that the people will not be aware of paying excise tax. It is true that complete awareness would require of the citizen an encyclopedic knowledge of the tax law and of the economic theories of tax shifting and incidence. Very few persons carry such details in their heads, and hence very few are likely to be aware whether or not there is an excise tax on a given article, and if so, what is rate of tax. It can be said of the proposed uniform excise that since there is only one rate, applicable across the board, there would be very much less excuse for people generally not having knowledge of it than under the present complicated system."

Plan's Advantages

The plan offers the following advantages in peace as in war:

First, it will put all consumers on an equality in their buying and it will put all producers on an equality in competing for such consumer dollars as may be available for consumption spending.

Second, it will end the obvious discriminations in the distribution of the defense of war cost, and in the deprivations which the people must endure.

Third, it will obviate the need for as high income tax rates as would otherwise be necessary, a consideration that is always of prime importance, but particularly so during the partial mobilization and the conversion period, when large amounts will be required to finance the transition from civilian to military production.

Third, it will drain off income all segments of the population and thus be a more effective retraint on the competitive bidding up of prices across the consumer goods field than the present excise system can be.

Fourth, it will be an effective and necessary complement to the income tax as an inflation restraint. Under the terms of the present income tax law, there is always a large volume of individual income that is not subject to income tax. According to the returns for 1947, adjusted gross income in taxable returns was $135.3 billion, and exemptions were $44.3 billion. Including nontaxable returns adjusted gross income totalled $149.7 billion, and exemptions were $63.8 billion. Here is an immense volume of income, amounting to $63.8 billion in 1947 and fully as much or more today, that is not touched at all by the income tax. All of it is available, and is no doubt used, for consumption spending. Excise taxation is the only way of distributing a part of the defense burden over this portion of individual incomes, and of imposing upon it some restraint in consumption spending.

The exemption of foods and food products, and the fact that rent is a service and hence not subject to the proposed tax, will prevent too severe an impact upon lowest income groups.

The Income Tax Rate

The second phase in the development of an effective and sound tax program to put the budget, including the defense spending, on a pay-as-you-go basis, is a readjustment of the individual income tax. The procedure to this end which the President has recommended is good, and for the immediate purpose it may be adequate, once the effect of the change begins to produce additional receipts.

The increase, first of the excises and second, of the individual income tax, would promote the restriction of civilian consumption which is a necessary aspect of the sacrifice that civilians must make in support of the defense—or—war effort. The President has said that he is prepared to recommend price control and rationing if the situation at any time appears to require them. These restrictions do not appear to be necessary now, and a prompt, effective application of the tax measures recommended herein will go far to lessen the need for them. Price control is far more likely to be required if we fail to be diligent in utilizing the obvious tax controls that are available.

The third step in developing additional revenue would be an increase in the yield from the corporation income tax. This is put last because industry will have large additional financing requirements in converting to a defense or war production basis, and it is far better than industry's own funds to be used for this purpose than to have them drawn off through heavy taxation and returned again as government loans.

There are different ways of getting more revenue through the corporation income tax, if and when resort to it may be required. These are: (1) a percentage addition to the tax as determined by present rate is; (2) a higher standard rate; (3) progressive rates on the larger corporate incomes; and (4) an excess profits tax.

For the present, the first of these options is the preferable one. It would effect an increase of the tax yield from corporations without disturbing the existing relationships established for moderation of the tax on small corporate incomes. And it would avoid an elevation of the standard rate to a level that would involve difficulties of adjustment in the event that at some future time the various pressures for an excess profits tax should become irresistible. At the present volume of corporate profits and tax, an increase of 15% of the current tax would produce the $1.5 billion that the President suggests be obtained from corporations.

By whatever method the tax on corporation income is to be increased, the increase would be proportionate to the part of the tax year still to elapse, and not retroactive for the full taxable year. Large, strong companies could in many cases, no doubt, make provision for the additional tax on a full year's income, but there would be many small companies that would be seriously embarrassed. To such degree as special financing of the tax increase would be necessary, the result would be fully as inflationary as government bank loans would be.

The second method, a higher standard rate, would involve the conflicts noted above. Nevertheless, it is second in the order of preference. The reason for this is that it would still preserve, even if in diminished degree, the incentives to effort and to the control of costs that characterize the American enterprise system. Preservation of these incentives is as important in war production as in peace production. The ultimate cost of defense or war to the people depend on it.

The third method, namely taxation of corporation income as progressive rates, must be steadily opposed from every standpoint. The House Bill, HR 8920, introduces the progressive principle of corporate income taxation by setting a first bracket rate of 21% and a second bracket rate of 41%, applicable to income above $25,000. The President follows the same procedure but proposes that the first bracket rate be set at 25% with a second combined rate of 45%. The technical distinction which the law makes between normal tax and surtax net income does not prevent this from being the first stage of all-out, full progression.

"Wherever a justification of the use of tax rate progression is offered, it is always based on the assumption that such rates exemplify and apply taxation according to ability to pay.[2] And when the term "ability to pay" is thus used, it invariably refers to individuals and the income at their disposal. Some persons have confused a large corporation income with a large individual income, and have concluded that if size indicates greater ability to pay taxes in the case of the individual, it must also indicate greater ability in the case of the corporation.

"This would be true only if the corporation existed and operated solely for its own corporate purposes and were entirely free to retain free and dispose of its entire income in support or furtherance of these purposes. The concept of legal personality does not extend this far. Every corporation is an association of individuals who, collectively, own the capital stock and whose investments have made the corporate activity possible. Fundamentally, the corporation is a form of business organization which exists to earn income for its stockholders. The amount of income earned, as such, shows nothing whatever regarding the ability of the several stockholders to pay taxes, or regarding the amount of tax which any one of them should pay as an individual. All of the large corporations in this country have many thousands of stockholders. These persons have, at one extreme, incomes so small as to be exempted entirely under the personal income tax, and at the other extreme, incomes so large as to be subjected to the maximum rate of that tax. The levy of progressive taxes on large corporations incomes would result in a most inequitable taxation of these widely varying personal incomes, with no regard whatever to the basic conditions of other sections of the income tax law, and indeed, in violations of the clear intent of these other provisions.

"In another respect, also, the taxation of corporation income at progressive rates is unsound, and it could be actually destructive of the structure of American business. Under normally competitive conditions, profit margins in relation to sales tend toward uniformity within a given industry, and the aggregate amount of profit becomes dependent mainly upon sales volume. When the tax is applied to the total income at progressive rates, it follows that there is a progressively deep cut into the profit margin as sales volume increases. This would strike directly at management's effort to expand sales volume, and when the tax rates become heavy enough, the distortion of the competitive situation would compel dismantlement of the large companies. Let us recognize that the country needs a large number of prosperous small businesses, but let us not forget that it also needs some large businesses, nor that small and large businesses need each other. Taxation of corporation incomes according to their size at progressive rates would destroy the business structure which is the basis of our prosperity and national strength.

"In spite of the assurances of the members of this Congress that they do not intend to apply the progressiv tax principle to corporate taxation, it is a fact that neither the assurances nor the enactments of this Congress are binding on any future Congress. American business is here being asked to accept a principle, and if a future Congress should decide to extend and carry it further, this acceptance would then be used and cited as an approval of the policy, some of us can still remember the assurances that were given when the 16th Amendment was under consideration to the effect that the rate would never be as high as 10%."

Withholding Tax on Dividends Cumbersome

The President recommended retention of the provisions of HR 8920 relating to a withholding tax on corporation dividends. This is a cumbersome and unnecessary innovation which should be stricken from the bill[3]. "It is significant that more than a dozen pages of the House print of the bill are required to cover all aspects of this innovation. To put our objection briefly, we believe that the purpose sought by this cumbersome and complicated addition could be achieved far more simply and with much less burden on all concerned by requiring corporations to file an information return on all dividends above some small amount, say $1. To accomplish this, only a very simple change would be involved in the regulations applicable to

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1 At this point, and certain other points, excerpts are made from a statement to the Senate Finance Committee by Charles R. Sligh, Jr., NAM director and Chairman of its Taxation Committee.

2 See Note 1 above.

3 See Note 1 above.

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Section 148 (a). This section provides that corporations, when required by the Commissioners, shall report the names and addresses of stockholders, the number of shares held, and the dividends paid. The regulations limit this requirement to dividend payments of $100 or more to one person during the calendar year.

"The Ways and Means Committee report states that the Bureau intends to remove the $100 limitation, applicable for returns filed in 1951 on 1950 income. The result will be that the payor corporations will be subjected to the additional clerical cost of making a complete report of all dividends paid, whatever the amount, and also the additional clerical cost of computing and withholding the 10%, and of notifying stockholders of the fact and the amount of such withholding. In view of the large amounts of stock held by owners of record instead of the actual owners, a further complication is encountered here in the obligation of the record owners to transmit the requisite information to the actual owners.

"It is our belief that general knowledge of full dividend reporting by payor corporations will go far to prevent deliberate or inadvertent omission of small amounts of dividend income, just as general knowledge of the limitation on such reporting may have encouraged careless or intentional omission heretofore.

"Under our plan, the Treasury would have a larger job of matching up the full information returns against taxpayer returns, but it would not have to assume the substantial burden of handling many thousands of additional refunds.

"The provisions of the bill, together with the reported change of the regulations, will involve a double burden on the Treasury as well as on the payor corporations. That is, the Treasury would have to match up all information returns and make the additional refunds, just as the payor corporations would have to file complete information returns and withhold the tax on all dividends.

"Moreover, there is a possibility of a considerable injustice to small income recipients having only a nominal amount of dividends. The law now provides that persons with gross income of $5,000 or less, of which not to exceed $100 is from sources other than wages, may elect to pay the tax under Supplement T. This Supplement contains a tax table according to which the tax is determined. If the other source of incidental income is dividends, these persons will be obligated to file a refund claim, or else to itemize the incidental income in order to be certain of the proper adjustment of tax. The whole purpose of Supplement T was to simplify the collection of income tax from the wage incomes up to $5,000 by relieving the recipients of such incomes from the burden and annoyance of executing a detailed return. The new procedure will introduce an unnecessary complication for these taxpayers. And, of course, in the case of all tax withholding on dividends, there will be a verying period of delay before the refund is paid, during which time the person entitled to the dividend will be deprived of the money he should have received promptly."

Excess Profits Taxes

An excess profits tax should be only the last desperate resort, and serious consideration should be given to the percentage increase or to a higher standard rate, before a decision is made to introduce it. When there has been a sufficient development of excises, and a proper expansion of the individual income tax, in relation to the government's need for goods and services, the volume of civilian sales and the prices of civilian goods will botn be restrained to levels at which there will not be great opportunity for "profiteering" in the accepted sense so far as concerns the prices and profits of civilian business. The principal area remaining for the emergence of excess, or excessive profits, will be that of the military and other defense, or war, contracts. The main source of such profits in this area is defective procurement policies and procedures. Whether because of haste, impatience with details, or ignorance of ultimately correct costs, war or defense contracts may provide for payments that reflect abnormal profits to manufacturers. In both the first and second world wars, management and procurement officers alike had no proper knowledge of what costs should be for the thousands of new and different items called for, and no experience with the scheduling of these items in mass production. Under such circumstances, large errors and large profits were inevitable.

The case is in large degree different today. Within the past decade a large part of the ground has been traversed that must be covered again in the new contracts. There is available both cost and production experience and data that should guide management and procurement officers alike to a better determination of proper costs. There will be new items this time, of course, but with the standard contract provisions that have been developed for prompt, recurrent review of costs, no great difficulty need be anticipated in preventing serious errors.

The primary objective of both government and industry in defense or war production is to save manpower and materials. In a war both are extremely scarce and of vital importance. The great problem is how to get the needed production and still conserve them. The best solution is that offered above, namely, prudent, intelligent procurement. Despite the gravity of the situation in Korea and throughout the world, there is no occasion for not adhering to sound buying policies.

The two methods that have been used in the past to compensate for the deficiencies and errors of procurement have been (1) renegotiation and (2) an excess profits tax.

Neither of these procedures is wholly satisfactory. Resort to either is an admission, whether realized or not, that procurement has not been competently and prudently done. At the present time, however, there is a renegotiation law and it should be relied on to protect the interests of the government and the people in so far as the direct procurement procedures may fail of this purpose. In general, renegotiation can accomplish much the same results as an excess profits tax, and is to be preferred to that tax, if anything of the sort is deemed necessary. Of both renegotiation and excess profits taxation it must be said that they put a premium on wasteful use of manpower and materials. There is no incentive, under either, to be concerned about cost. Both amount to the same thing as cost plus contracting, a notoriously wasteful procedure.

There are other strong and valid objections to an excess profits tax:

(1) Our experience has indicated that it is impossible to draft an excess profits tax law that will apply fairly under all circumstances and to all cases. Even with the best of intentions, and excess profits tax is productive of prolonged and expensive litigation, in many cases lasting for years after the end of the war during which the tax was imposed. The sections of the last excess profits tax law designed to relieve hardship and other abnormal cases could not be simply and promptly administered. Thousands of appeals were carried over to a postwar appeals board.

(2) It is likewise impossible to draft an economically sound excess profits tax law because of the absence of adequate and sound tests for determining just what is an excess profit. For administrative reasons the law must select and abide by one or two entirely arbitrary tests of excess profits, whereas the real tests of when a profit is reasonable, or in excess of reasonable, are as varied as the myriad conditions of different industrial enterprises. Here is probably the root of the immense volume of protest and litigation which an excess profits tax always engenders.

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Chemical Industry Securities

ished chemical products such as explosives, rayon yarn, paint and varnish, pharmaceuticals, plastics, etc. These later products should be considered chemical also.

I suggest that you turn to the accompanying chart showing a breakdown of the chemical industry by various product lines and which also shows which companies have important positions in these lines of products. You will note that the classification is broken down into two main groups (1) basic industrial chemicals and (2) finished chemical products. The second classification, in general, represents further processing from the basic raw material stage.

From a chemical standpoint, there are two major divisions (1) inorganic and (2) organic. Inorganic chemicals are relatively simple susbtances based essentially on mineral raw materials such as salt, limestone, sulfur, sand metals, air and water. These chemicals are for the most part industrial raw materials and those which are made and consumed in large tonnage are generally called **heavy chemicals.** In this category are included sulfuric, nitric and hydrochloric acids; **soda ash** and **caustic soda** which are generally called aklalies. Ammonia, now made in greatest quantities synthetically by combining atmospheric nitrogen with hydrogen from natural gas or coal, is a large tonnage inorganic chemical. **Chlorine** is another. Up until the first World War, commercial chemistry was inorganic chemistry, particularly in this country, and in a sense these materials are still the backbone of the industry and make up about 75% of the tonnage manufactured. From the standpoint of value, however, they amount for something less than 50%.

The inorganic chemicals are key raw materials for industry, generally. They are important in iron and steel manufacture, in pulp and paper, petroleum refining, glass as well as to other branches of the chemical industry. Consumption of the established inorganics generally follows the course of general business activity. In general, the processes for inorganic chemicals are well established and well-known, prices are low, and profit margins are also low relative to other types of chemical manufacturing. Most of the **general chemical** companies, that I mentioned before, use a substantial part of their own output. Some companies sell substantial quantities of heavy chemicals but this phase of their business as a rule is relatively less profitable than their other activities.

Those chemical products which are predominantly compounds of carbon are termed organic chemicals. The only important organic chemicals before 1914 were coal tar dyes and medicinal products and these were made almost entirely in Germany. There was no organic chemical industry worthy of the name in this country. When we went to war in 1917, German patents were taken over and we plunged into the manufacture of organics to make up for the loss of imports. The value of organic chemical products has increased from about $200 million in 1920 to over $2 billion at present. There are literally millions of organic chemicals theoretically possible and commercial development is continuing at a high rate. It is this phase of the industry that has been responsible for the strides made in the past 25 years and that has given the chemical industry so much of its glamour and growth.

While on the subject of organics there is one other detail I should like to explain. One important group of organic chemicals are derived from coal tar and other products given off when coke is made from coal. These compounds we generally call **aromatic** or coal tar chemicals. Another group of organic chemicals are termed **aliphatic** compounds and they are the type found in petroleum and natural gas.

Most of the diversified chemical companies are engaged in both organic and inorganic branches of the industry in varying degrees and only a few restrict their activities to basic industrial chemicals. See the chart for a delineation of the fields which are important to various companies. Most of these companies, as mentioned earlier, are in one way or another upgrading their products and moving closer to the ultimate consumer, the extent of this upward integration varying in wide degree.

Representative Chemical Companies

Before turning to our second broad topic of "The Investment Characteristics of the Industry," let us try to classify some representative chemical companies into the principal categories as we have described them:

HEAVY CHEMICAL COMPANIES

Allied Chemical and Dye
Mathieson Chemical (although changing)

GENERAL CHEMICAL COMPANIES

Dow Chemical
Monsanto
Du Pont
Union Carbide
American Cyanamid
Hercules Powder

SPECIALTY COMPANIES

Primarily Fertilizers

American Agricultural Chem.
International Minerals & Chemical
Virginia-Carolina Chemical

Primarily Industrial Gases

Air Reduction
National Cylinder Gas

Miscellaneous

Victor Chemical
Commercial Solvents
Newport Industries
U. S. Industrial Chemicals
Heyden Chemical
Rohm & Haas

In addition to these leading companies, the industry is made up of hundreds of companies ranging in size from a small local outfit operating in one room to some of the largest companies in the country. I say this because **other** industries which employ chemical processes and which have been contributing more and more to the whole field of chemical development have not restricted their activities within the narrow limits of their own particular field. The petroleum companies which control the raw materials for the fastest growing phase of chemical production (i. e. organics), are particularly progressive in the field of chemical development and are rapidly expanding activities outside of their normal business in fuels and lubrication. Shell Chemical Company, a subsidiary of Shell Oil, is making a wide variety of synthetic organic chemicals. Oronite Chemical Company, a subsidiary of Standard Oil of California, is becoming a major factor in the detergent field. Various subsidiaries of New Jersey Standard are becoming important factors in the chemical industry and the same is true of Standard Oil of Indiana. In addition to the oil companies, we have the rubber and glass companies expanding their activities in the chemcial field, particularly in plastics. **Goodrich** is one of the leaders in the production of vinyl plastics used in raincoats, shower curtains, etc. **General Electric** is one of the largest producers of plastic materials in the United States. Even **Armour and Company** has a rapidly growing specialized chemical business. All this spells increased competition for the existing chemical companies, but the field should be big enough. The chemical companies proper no longer have a monopoly on chemical research and the philosophy of expansion that accompanies it, but this does not necessarily detract from them.

Investment Characteristics

What are the investment characteristics of the industry? In discussing the nature of the industry we have already touched on some —others will be indicated.

(1) **The Chemical Industry Is Less Affected by Business Cycles and Seasonal Changes Than Other Major Industries:** Growth as a result of technological progress stemming from research is one of the most important factors. Sales of a new product might completely offset declining sales of established lines. The industry, as does all industry, responds to long-term trends, but it customarily experiences year-round production, any minor seasonal change being smoothed over by storage of product. Violent cyclical change is minimized by diversity of production and variety of customers in other industries. Changes in activity in consuming industries tend to balance each other. As a matter of fact, as we have already discussed, many previously "non-chemical" companies have entered the field during the past decade to obtain this stabilizing influence.

(2) **The Industry Is One Which Requires High Capital Investment to Enter:** I could go on to quote you substantiating figures to prove this point, but I will not bother to take the time here. This factor is important in that it precludes the entrance of marginal competition into the chemical field. It is also true that the industry is one which requires technological know-how. This is not easily ob-

tained by new entrants into the field.

(3) **The Industry Has a Relatively Stable Price Structure:** This is a result of many factors among which are (1) the heavy capital investment necessary to enter the business; (2) low labor factor; (3) steady raw material costs; (4) high cost of shipment in relation to the value of the product.

The industry has a lower ratio of wages and salaries relative to sales than industry as a whole. In many chemical operations the worker never sees the product during the entire production process. He operates through valves, automatic controls and instruments. As a result the impact of rising labor costs does not hit the chemical companies as hard as many other concerns. This contributes to price stability.

Steady raw material costs make for stable prices. Readily available cheap raw materials such as natural gas, salt, oil, limestone, coal, air, and water, have very small, if any, price changes over both the short and long term. Many products with which chemical products compete are greatly influenced by fluctuating raw material costs. (Nylon vs. silk, rayon vs. cotton, synthetic alcohol vs. fermentation alcohol, synthetic rubber vs. natural rubber, plastics vs. wood, etc.)

Many chemicals are costly to ship relative to their unit value. This is true especially of the basic chemicals. Plant location relative to consuming industries is thus important and companies cannot compete outside of certain limits.

(4) **The Industry Spends Substantial Amounts on Research:** As much as 2 to 5% of the sales value of products is spent as compared to smaller percentages for industry as a whole. The benefits of this research policy have been outlined previously.

(5) **The Industry Historically Has Shown Higher Returns on Sales and Invested Capital Than Industry in General.**

(6) **As a Result of the Industry's Growth and Expansion Policies, a Substantial Amount of Year to Year Earnings Is Retained:** This has been particularly true in the postwar era of inflated building costs when normal depreciation accruals fell far short of providing the money needed for expansion.

(7) **Most Chemical Stocks Sell at a Higher Price-Earnings Ratio Under Normal Conditions Than Do Stocks of Most Other Companies:** This is true because investors are willing to pay for growth which has been established in their minds as an attribute of the chemical industry.

(8) **Yields on Chemical Stocks Are Normally Much Lower than Yields on Utility Stocks or Good Grade Industrial Equities:** This is true because relatively small portions of earnings are paid in dividends and, because, as previously mentioned, the stocks ordinarily sell at high-price-earnings ratios. Some companies have paid as little as 25% of earnings in dividends.

Having disposed of the nature of the industry and its investment characteristics, let us turn to the various factors affecting the worth of chemical securities. It is my contention that skillful interpretation of financial statements using the usual financial factors and ratios is not enough. You must have some knowledge of the chemical industry and of the companies in the industry to come to the right conclusions. This does not mean, however, that you have to be a chemist.

The Earnings Factor

Perhaps the most important factor in evaluating the market prices of companies in the industry has been earnings per share. To arrive at any intelligent forecast of an individual company's future earning power the analyst must have a knowledge of (1) the company's sales breakdown by products and industries served; (2) the economic characteristics of the industries served; (3) the economic characteristics of each major product sold; (4) contemplated future expansion—products and dollar amount to be spent; (5) past data regarding sales and profit margins. Future sales and earnings can then be projected on the basis of certain assumptions as to general business activity and as to activity of various industries served.

Once the analyst has established a future earning power for a company the problem then becomes one of evaluating what these dollars of earnings are worth. Obviously, the type of industry has something to do with what earnings are worth. Earnings which fluctuate violently in business cycles are not worth as much as stable earnings. Thus a leading steel company is selling for $36 per share and future earnings are $12 per share. The price-earnings ratio, or multiplier, is 3 times. A leading chemical company is selling for $60 per share with earnings of $5 or 12 times earnings.

Historically, chemical companies as a group have sold at price-earnings ratios averaging about 20 times. In the postwar era, however, and in common with the rest of the stock market, price-earnings ratios of chemical companies have declined. An average of 12 times is close to being right. It appears doubtful whether we will ever see a return to the 20 times of the prewar period but it is reasonable to expect a higher multiplier than postwar experience would indicate. Some of the general causes of the lower appraisal of the industry's earnings might be summarized as follows:

(1) Postwar need for funds for expansion necessitated financing by means of debt or preferred stock. Such financing put prior claims on assets and income ahead of the common stock of many companies.

(2) Companies are growing larger so that large percentage gains in their business are less likely.

(3) Chemical stocks must compete with other investment media so that the level of the general market has a bearing on the demand for chemical stocks. Evidently there has been some lack of confidence in the high postwar earnings.

For argument's sake, let us assume that 15 times is a reasonable multiplier. Then if you know that the ABC chemical company is going to earn $5 per share, the stock should theoretically be worth $75 per share. However, the matter is not this easy. As you can appreciate when the multiplier is applied to individual companies the analyst must take into account a number of other factors. If this were not true all chemical companies earning $5 per share would sell for $75! This is ridiculous when you consider that one company might be paying a $4 dividend and the other nothing.

Some of these other factors which affect the price-earnings ratio, or multiplier, are as follows:

(1) **The Company's Business:** Some chemical companies are engaged in quite cyclical businesses with a large part of their output going to cyclical industries. Others are more stable.

(2) **Management:** While this is somewhat of an intangible, I believe that good results in appraising management are possible through a knowledge of past performance, contacts with men in the industry, and interviews with management.

(3) **Capital Structure and Financial Position:** The stock of a company with a strong cash position and no funded debt is entitled to a higher multiplier than another company with the same per share earnings but with a large amount of funded debt and preferred stock, all other things being equal.

(4) **Dividend Rate:** All other things being equal, the investor will pay more for the earnings of a company paying him a dividend than for the same earnings but no dividend.

(5) There are other factors which I will not take time to discuss in detail but which include methods of valuing inventory, other income, non-recurrent income, accelerated depreciation, etc.

From this you can readily appreciate how important both earnings and the multiplier are in determining the relative worth of chemical stocks. There is no simple formula and rewards must come from patient analysis and good field work. Even the unforeseen developments such as the Korean situation come along to upset the applecart!

Breakdown of Chemical Industry by Various Product Lines
Showing Which Companies Have Important Position in These Lines

	Allied Chemical	American Cyanamid	Commercial Solvents	Dow	du Pont	Hercules Powder	Monsanto	Union Carbide
Basic Industrial Chemicals								
Alkalies and Chlorine	*	*		*				
Alcohol and Solvents	*		*		*			*
Ammonia	*	*	*		*			
Inorganic Chemicals—General	*	*		*	*		*	*
Naval Stores						*		
Organic Chems.—Noncoal Tar	*	*	*	*	*		*	*
Organic Chems.—Coal Tar	*	*		*	*		*	
Semi-Finished and Finished Chemical Products								
Dyestuffs and Pigments	*	*		*	*			
Detergents	*	*			*		*	
Explosives					*	*		
Fertilizer Materials	*	*			*			
Flavors and Perfumes				*			*	
Synthetic Fibers				*	*		*	*
Industrial Gases								*
Insecticides	*	*	*	*	*	*	*	
Metals and Alloys								*
Paint and Varnish					*			
Pharmaceuticals		*	*	*			*	*
Plastics and Synthetic Resins		*		*	*	*	*	*

Walston, Hoffman Adds

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Harry R. Portman has become affiliated with Walston, Hoffman & Goodwin, 550 South Spring Street. He was formerly with Morgan & Co. and G. Brashears & Co.

With Investors Diversified

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—David Rowland is now with Investors Diversified Services, Inc. He was formerly with Merrill Lynch, Pierce, Fenner & Beane.

Dean Witter Adds

(Special to The Financial Chronicle)

SAN FRANCISCO, Cal.—Leonard R. Rose has been added to the staff of Dean Witter & Co., 45 Montgomery Street, members of the New York and San Francisco Stock Exchanges.

Two With Hodgdon

(Special to The Financial Chronicle)

BOSTON, Mass. — John R. Hutchison, Jr., and William R. Tothill are with Hodgdon & Co., 10 State Street.

May & Gannon Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Ruth C. Fleming has been added to the staff of May & Gannon, Inc., 161 Devonshire Street.

Cunningham With Shearson

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Robert B. Cunningham has joined the staff of Shearson, Hammill & Co., 618 South Spring Street, members of the New York Stock Exchange and other Exchanges. He was previously with Marache Sims & Co. and G. Brashears & Co.

McClure Joins Shields

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Samuel H. McClure has become associated with Shields & Co., 510 West Sixth Street. For many years he was with Dean Witter & Co.

With Whiting, Weeks

(Special to The Financial Chronicle)

BOSTON, Mass. — Joseph W. Valentine is with Whiting, Weeks & Stubbs, 53 State Street, members of the New York and Boston Stock Exchanges.

Continued from page 3

The Favorable Outlook For Airline Issues

duced 25% in 1945, were sharply increased in 1948 in an effort to assist some of the more marginal companies. In 1949, the picture slowly started to change. Costs were cut sharply and, as traffic continued to increase, a large amount was carried down into net income. This improvement has continued into 1950 which brings up the possibility of a cut in air mail payments.

The Subsidy Question

I shall not attempt to enter into the argument of how much of air mail pay is for services rendered and how much is subsidy. The importance of the question varies with individual companies. Air mail revenues are less than 5% of total revenue for Eastern Airlines as against 25% for some of the smaller carriers. The rate varies widely. Some of the smaller carriers receive 10 times as much per ton-mile as some of the stronger airlines. In any event, as total revenue increases, the percentage of dependence on air mail will decline. Mail was 11% of total revenues in 1949 as against 37% in 1940. Total air mail revenue in 1949 was $58 million. If we consider that half of it was subsidy (which is very questionable) it is still a small cost for maintaining approximately 1,000 transport planes for potential defense purposes. It is very small as compared with the $3 billion (over one hundred times as much) we have tied up in farm price supports of peanuts, potatoes and other farm commodities. Under the present potential war emergency, it is doubtful that any change will be made in air mail rates. Another possibility is the commandeering of the air fleet in a war emergency. This appears doubtful. In World War II approximately 40% of the airline planes were taken over but increasing load factor of the retained planes more than offset the difference. During 1943 to 1945, planes operated at approximately 90% capacity as compared with approximately 60% in 1948 and 1949.

Specific Issues

The favorable factors and the very attractive technical patterns appear greatly to outweigh the potentially unfavorable factors. From a technical point of view the following issues have attractive graph patterns.

(1) In the dividend-paying preferred stock group, **American Airlines $3.50 preferred**, convertible into 4.76 shares of common, and **United Air Lines $4.50 preferred**, convertible into 4.2 shares of common, appear attractive for income plus appreciation.

(2) In the better grade common stock classification **American Airlines** and **Eastern Airlines** are outstanding. The 1945-46 highs were 19⅞ and 33½. Both issues are in strong financial position and have small dependence on air mail subsidies. The chart patterns indicate at least an approximation of the 1945-46 highs.

(3) In the more speculative group, whose dependence on air mail subsidies is not too important, I would include **United Air Lines** and **TWA**. The 1945-46 highs were 62½ and 79. Neither of these issues are in as sound financial position as American and Eastern but could show greater percentage appreciation in a good airline market and greater losses in a declining market.

(4) In the extremely speclative group I would choose **Western Air Lines** and **Braniff Airways** and **Northwest Airlines**. The 1945-46 highs were respectively 40½ for Western, 37½ for Braniff and 63½ for Northwest. These issues are speculative but have wide appreciation possibilities.

(5) All of the above issues are listed on the N.Y.S.E. In the unlisted field **Delta Airlines** is outstanding. The 1945-46 high was 69½. The company is one of the better regional carriers. Since 1941 company has earned money in every year with the exception of 1947 and has paid dividends in seven of the nine years.

Tomorrow's Markets Walter Whyte Says—

By WALTER WHYTE

According to everything I read the market is waiting for Congress to make up its mind about taxes. The conclusions are if taxes are not increased above levels already proposed, everything is going to be peachy and the market will go up. By the same token, if somebody steps out of line and shakes the tree, all the plums will fall down and squash all over the place and the market will go down.

* * *

Long ago I came to the reluctant conclusion that in dealing with intangibles such as the stock market, it is better to accept the worst and act accordingly. As I see it, the chances of an excess profits tax passing is a lot better (or worse), depending upon where you sit. Perhaps it won't happen at this session of Congress, but the chances are it will come sooner or later. The only thing that will prevent an EPT levy is an early and successful conclusion of the Korean war. And if you can see that, you're looking at the Far Eastern news with more heart than head.

* * *

So what about the market? The picture as I see it is this: More ups and downs, with perhaps more of the latter than the former. I think the market will go higher. But before you jump in with both feet, allow me a note of caution. A market bolstered by war is always subject to unexpected news. A military desirous to give a bright picture of the battle trend frequently sugar-coats bad news or ignores it. It isn't until bad news can't be hushed up any longer that it breaks open with an explosion intensified by the bottling-up process. It is this possibility that leaves me to advise you to do your buying on weakness. Should stocks get below the lows registered approximately July 25 better get out. It's true you might have losses but they won't be as deep if you buy them at the lower level or on strength.

[The views expressed in this article do not necessarily at any time coincide with those of the Chronicle. They are presented as those of the author only.]

Mutual Funds

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goods and services for which it may be exchanged." The story is well-developed on this theme.

Growth Companies States Investment Policy

The funds of Growth Companies, Inc., will be invested in three different kinds of growth companies, according to a definitive statement by Dr. John H. Gross, President, on the investment policy of the new open-end mutual fund, whose organizers include four of the nation's top ranking industrial scientists.

The first classification of growth companies as set up by the board is limited to those companies which in the opinion of the board are growing at a faster rate than the country as a whole and are likely to continue to do so. This type of investment is to receive the largest proportion of the funds of Growth Companies. The group will include those companies working in expanding fields as well as those which have found or are constantly seeking new products, improved processes or added outlets.

In the second classification are some of the largest and most successful companies which still seem to have a reasonable amount of growth ahead of them. Only a small percentage of total resources of Growth Companies is to be invested in these concerns, according to the statement.

In its third classification the board is including for limited investment companies little known to the public but which in the opinion of the directors have good management, quality research organizations and new products or processes.

Financial Industries Fund Expects 70% Div. Plowback

Over 70% of the Aug. 18 dividend payments will be reinvested in the Fund's capital shares, Charles F. Smith, President of Financial Industrial Fund, estimated, in an announcement yesterday.

The realized profits distribution for the fiscal year ending Aug. 31 is nearly four times that of the previous fiscal year, he declared.

Net assets value of the Fund was $5,941,087 on Aug. 8, ex-dividend, compared with $5,469,356 on Dec. 31, 1949.

Continued from page 2

The Security I Like Best

OLIVER J. TROSTER
Partner, Troster, Currie & Summers, New York City.

(Purolator Products Inc. $1 Par Capital Stock)

This is being written in a Military Camp, so it should recommend some "War Baby" I presume. However, I prefer a security that has demonstrated vim, vigor and vitality through the years when war demands have not been the principal source of business.

Oliver J. Troster

This piece is being written in Camp far from statistical manuals and graphic charts. It therefore will probably be an essay rather than a treatise. Anyway, I think that any of us in selecting "The stock that I like best" must hedge ourselves with so many "ifs" and "buts" that the presentation of statistical data is not pertinent.

I like Purolator Products, Inc. capital stock for the average, run-of-the-mill, "businessman's risk" investments.

Why?

(1) The company has a product that is (a) standard in its field; (b) increasingly essential with the passing of time and the education of potential users; (c) backed by smart merchandising and advertising both as regards men and policies; (d) rapidly becoming a "must" even if depressed times should come.

(2) The company has good, honest, capable and hard working individuals as "management."

Because "they" are stockholders, management is playing fair in the matter of dividends and is not "hogging the whole show" through excessive salaries.

(3) Aggressive research in product improvement and manufacturing methods is followed up by a keen sales and distribution staff schooled in cooperating with buyers in solving their problems.

(4) The company has a fair and equitable labor policy — that works.

There you have it — a good product, a good management, a good field to cover, a good labor policy.

What more could you ask?

W. W. TURNBULL
Wood, Gundy & Co., N. Y. City

(Canadian Government 3s of Sept. 1, 1966)

An investment which has for its security the credit of one of the soundest Governments in the World, combined with a yield of approximately 3%, combined with capital enhancement prospects of approximately 10%, combined with adequate marketability, is, in my opinion, an investment which should appeal at this time to a wide circle seeking a combination of the above factors.

The reader may already have guessed that the credit referred to is that of the Canadian Government, while its particular instruments which I like best at this time are the internal-payment 3% loan due Sept. 1, 1966, redeemable at par on and after Sept. 1, 1961. Bonds of this issue are currently selling in the Canadian market at 102⅜ at which price a Canadian investor is buying an income return of 2.75% to the call date. Because of exchange conditions currently prevailing, the American investor is able to buy such bonds at this time at a price of approximately 92⅞ in United States funds, or a 9⅜th point discount off the Canadian market. The holder of such bonds here is permitted to cash maturing coupons at the so-called "official rate" (approximately 9½% discount) and, consequently, by dividing his U. S. cost price into the coupon, thus reduced, the indicated current stock yield at a cost of 92⅞ would be 2.92%.

Action of the Canadian dollar since its official devaluation in September last and particularly its pronounced strength in recent months augurs well, I believe, for a higher level for this currency in New York in the not-too-distant future; at such time, of course, the holder of such bonds, bought today, would realize a proportionate capital appreciation.

Continued from page 6

Our Policy Toward Russia

Chinese Communists down into Indo-China or into Burma, or of the Bulgarian Communists into Greece or into Turkey, or of the East German and Polish Communists into Western Germany, or of the Hungarian Communists into Austria, or orders other similar moves; and if the United States attempts to meet each of those aggressions where they occur, our armed strength will be dissipated and spread out in jungles and mountains and valleys in distant points of the world.

Our young men will die facing satellite troops of which there will be no end in numbers, and we will become a giant pinned to the earth by our own errors of policy, weakened and laid open to direct assult.

Kremlin Should Be Held Responsible

Do not these two alternative facts mean that it must be American policy that if further aggressions occur at any point in the world by these Communist imperialist forces, we shall hold the Kremlin strictly responsible?

Must it not be our policy to ask the United Nations Assembly to fix that responsibility upon the Kremlin?

Should we not make it clear that an attack in Indo-China, or Burma, or Greece, or Turkey, or Germany, or Austria, will not simply mean that war comes to Indo-China, or Burma, or Greece, or Turkey, or Germany, or Austria, but will mean that war will come to Moscow, to the Urals, and to the Ukraine?

Can the situation be thought through on any other basis?

And if this is the logical conclusion, should we not then make it plain well in advance?

Should not Congress declare it to be, by appropriate resolution, the policy of the United States of America, in its determined desire for world peace and justice and freedom?

Should not this policy be then laid before the United Nations Assembly for approval?

I believe and urge that this should be done.

Let me make it clear that I definitely am not proposing that the United States start a "preventive war." But I am saying that we should set forth with unmistakable clarity that if the Communist leaders do in fact start World War III by aggression through their satellites and puppets, we and our associates in the United Nations intend to finish it, in due time, against the Kremlin itself.

To reemphasize this analyst let me state it this way. Uncle Sam is a world champion fighter when he is aroused, when he understands the necessity of the fight, and when he is prepared. We must not permit Uncle Sam to be chopped down finger by finger, arm by arm, by preliminary fights for which he is not prepared.

If the persistent ruthless actions of others make a world fight unavoidable, a ready, alert, wise Uncle Sam must move directly to the main fight!

Once this broad basic policy is established our military leadership will know how to prepare and for what. It should be said that the repeated statements of policy by the State Department and the President that we would not defend Korea and Formosa and the eleventh-hour reversal of that policy, placed our military in a very, very difficult position.

It is to the credit of Gen. Douglas MacArthur and to the everlasting credit of each and every soldier, sailor, airman, and marine in the Korean war, that they are discharging as well as they are the sudden responsibility placed upon them by the Administration's belated reversal of policy.

Under this vital policy America must be prepared to bring war directly to the centers of Communist power if they persist in starting World War III through satellite aggression. America must be prepared to defend itself against a direct assault, including a civilian defense program such as England had in World War II.

America must assist in arming the free and peace-desiring nations for their joint defense, provided they move decisively and effectively to arm themselves. To do these essentials will require a total of $35 billion or more per year for a number of years.

Must Prepare Both for War and Keep Sound Economy

Thus we must turn our attention to how we can do this job and yet not so overextend or damage our own economy as to cause our own crash and failure even if war does not come.

In other words we must be prepared to fight a world war and also be prepared to remain sound and strong at home if no war comes.

To do this is increasingly difficult because of the inflationary policies that have been followed by the Administration these past five years. The war in Korea has had such upsetting effects upon our prices and our economy at home because America was already in an inflationary situation.

Thus it is absolutely essential that as we move into this military program, we must also move upon the financial and economic policies that go with it. Otherwise we will stretch our economy so thin that the Communists will need do no more than keep us under such intense economic pressure for a period of years and we will crash after a mad inflation.

The medicine to cure this fever of inflation is not a pleasant medicine to take. It is not a popular medicine to prescribe. Inflation itself is a political coward's method of meeting financial problems. But inflation is a disease that brings in its wake a pernicious anemia in any economic system.

These then are the steps America must take as we move in this crucial armament program.

We must cut down on non-defense Federal spending by at least

$4 billion per year, and preferably by as much as $6 billion per year. We must cut down on non-defense state and local spending by at least $1 billion per year. These cuts, of course, can only be made by real reductions in the handouts of government and in other activities which may be desirable but are not essential under these conditions.

The hard facts of the rearmament requirements must cause a reevaluation of all other programs of our government and of friendly governments as well. For example, it will mean that the United States will be buying such quantities of rubber and tin and other supplies from the British sterling area and from other nations, that the dollar-gap question of the Marshall Plan is entirely changed.

The United States must not attempt to carry on government as usual, nor Marshall Plan as usual, nor pork barrel as usual, nor even services as usual during these next crucial years while priority is given to adequate rearming of ourselves and our friendly associates in the United Nations.

Taxes and Controls Required

The government must also increase taxes of all types upon everyone to raise a minimum additional ten billion dollars per year.

The government must follow through and reinstate controls over the credit systems of our country, keeping a steady check on installment credit and shrinking to an appropriate degree all forms of credit which add to the inflationary pressures.

Finally, we must place into readiness a system for allocations, price and wage ceilings, and rationing: using it only when needed; but definitely having it promptly and completely set up and ready to go.

Such a system will be adopted with understandable reluctance because of the distastefulness of controls to the American people and because of lack of confidence in the Administration and fear that clumsy administration will seriously handicap production and that the controls might also be used for Socialist purposes because of the many Socialist schemes that have been proposed by the Administration in these last years.

The public and the Congress should insist that these controls be administered by a special emergency agency under an executive, not in politics, confirmed by the Senate, who has the confidence of both political parties, who has business management and labor and agriculture of excellent qualifications to administer these key economic mobilization controls and regulations.

Congress must also place time limits upon the control legislation and should provide that the controls can be lifted in whole or in part by Congressional resolution to further prevent the President from abusing the power.

The experience of our country in both World Wars shows that an economy can be mobilized effectively only if the mobilization program is in the hands of a central coordinated agency, and that it depends so much upon the ability of the men in charge and upon the confidence placed in them.

Thus Congress should rise up and refuse to permit these emergency powers to be scattered among the present politically appointed members of the Cabinet, or any of the other present members of the Administration who have been involved in these weakening internal feuds and errors of basic policy.

The people of the United States have not received their money's worth from the fifty billions spent for defense in the past four years.

The public and the Congress should insist that a top caliber man, not in politics, be brought into the Administration to take charge of armament production. Only in that way will the American people get their money's worth for the increased billions which now must be spent.

Far more important, only in that way will the job be done. Only in that way will our fighting men have the armament they need.

Coupled with these military and economic policies we must embark upon a major offensive in the Cold War. There is an understandable tendency to shift all attention right now to the Korean War. But we must not forget that one of the reasons that we are engaged in this Korean War today is the Administration's failure to wage the Cold War successfully.

An Asiatic Economic Program

It must become increasingly clear to the many millions of peoples of the world on both sides of the Iron Curtain that it is the sincere objective of America and of the United Nations to advance their standards of living; to recognize their human dignity and their rights regardless of color; and to expand their individual freedom.

This requires the early initiation of a comprehensive Asiatic Economic Program, parallel to the Marshall Plan, and yet different because of the different conditions in Asia.

It should involve only a small fraction of the amount of money spent on the Marshall Plan, both because we do not have the resources to spend more and because the non-industrial economy of Asia has different and lesser needs in terms of dollars.

In many instances American surpluses can materially assist in Asia.

As one specific example, India today needs wheat. India has needed wheat badly for the past 10 months. India has sought 36 million bushels of surplus wheat from America. America has over 300 million bushels of surplus wheat on hand. Yet America has not shipped any of this surplus wheat to India.

This is an inexcusable shortcoming in American action. American surplus wheat should be promptly shipped. In fact America can quite likely receive valuable raw materials, in future years, useful to our production and to our stockpiles, in repayment.

Initiative in developing an economic program for Asia should come from leaders of Asia itself. Such men as Pandit Nehru and Liaquat. Ali Kahn and Carlos Romulo and Elpidio Quirino should be encouraged to work out an economic plan for Asia, and under their leadership, America and the United Nations should move upon a far-reaching Asiatic economic advance.

Such action has been requested by Congress in the Mutual Defense Assistance Act, but the State Department has not acted.

America should constantly point out the imperialistic aims and evil objectives of the Soviet Union and contrast this with new deeds of a non-imperialistic, modern, enlightened approach of the Western World to Asia.

Assistance and encouragement should be given to all of those throughout the world who wish to advance the cause of freedom, including those millions within the countries now under Communist dictatorships. This part of our program should best be characterized as the front line of our offensive in the Cold war.

It should be placed under able leadership of high caliber, preferably someone who has had successful experience in a position of leadership in the Office of Strategic Services during World War II. The methods and details cannot be spelled out in advance, but if able men are given the responsibility and the resources to conduct a Cold War offensive, I am confident of excellent results.

We should always remember that a Cold War can only be won with hot ideas.

A Special U. N. Commission for China

As these major policies unfold consistent efforts should be made to have Great Britain and France and India and other members of the United Nations move with us. One of the most difficult problems in this regard is the question of the application of the Communist Chinese Government for the seat in the United Nations. Clearly this application should not be granted. But Great Britain and India have voted for it.

It would appear wise to ask Great Britain and India to join with us in the United Nations for the appointment of a special commission to go to China and investigate the application. The seat carries with it a veto power and thus it is a situation without precedent.

Thorough inquiry should be made before passing on the application as to whether or not the applicant government is under the complete domination of another power and as to its recognition of its international obligations and of the fundamental human rights of its own people.

This commission should also observe the Manchurian-Korean border and the Chinese-Indo-China border to determine whether the Chinese are violating the United Nations Charter.

If such a United Nation's Commission is refused entry to China, all nations will then have clear ground for rejecting the application for the veto seat. If entry is permitted, the resulting period of investigation will constructively ease the present tension and may well result, through the good offices of Nehru and others, in a trend toward the better in the entire confused Asiatic scene.

A further United Nations request should be issued to its Korean Commission and to the United Nations Commander, General MacArthur, to assemble and report all information bearing upon any assistance given, following the cease-fire order, to the invading North Korean forces by any member of the United Nations.

Through it all we must exercise moral leadership in keeping with our fundamental philosophy and the teachings of our great religions. We must express a continuous willingness to meet in conference at any time, seeking the avenues for true peace.

We must make it clear that our experiences have been such that we will not accept mere words or documents or treaties as assurances of peaceful intentions; but that we will look for actions that will definitely reduce the tensions of war, increase the freedoms and independence of people, and move toward a just and lasting peace.

We must clearly indicate that we are not seeking to freeze a reactionary status quo, that we do encourage genuine progress in the well-being of men.

World War III Not Inevitable

In spite of my grim over-all analysis, I do not consider that World War III is inevitable. I am certain that the non-Communist millions among the people of Russia do not want war. I believe that if the United States and her peace-loving associates quickly and steadily build sound armed strength and at the same time carry on an alert, intelligent idea and economic offensive against the Communist dictatorships, we have a better than even chance of winning a just world peace without incurring the horror of World War III.

For the good of the people of Russia and of the United States and of the world, I pray God this peaceful competition of systems without war will be the answer.

We must show leadership toward the strengthening of the United Nations. It should now be apparent to all that the United Nations in its present form is not adequate for coping with world conditions. If it had not been for the boycotting absence of the Russian delegate from the United Nations Security Council, the Korean action could not have been voted, for a veto would have stopped the Security Council.

The return of the Russian delegate and his actions since his return clearly show that the veto will be used in future events. Likewise, the lack of United Nations police forces in being and, consequently, the heavy burden that fell upon our unprepared American divisions; and the slowness because of individual national decisions of other nations to reach the point of battle, clearly point out the need of a genuine United Nations police force.

U. S. Should Lead in Revising U. N. Charter

The United States, then, should take the leadership in planning a future convention to rewrite the United Nations Charter, which can be done under Article 109 without a veto, and to strengthen it in the light of experience and of common sense. At the same time, within the present charter, through a special Assembly motion, action should be taken by those nations which are in accord with us to enlist and equip and train a truly United Nations police force, permitting any man to enlist therein, from any nation in the world, provided he can convince the recruiting officers that he is sincerely interested in serving to advance the objectives of the United Nations.

This would permit the enrollment not only of citizens of the democracies which are members of the United Nations, but also of refugees from the Iron Curtain countries, and of young men of Italy, of Germany, and of Japan. These forces could have great effectiveness in deterring future aggressive moves anywhere in the world or in containing the aggressors at remote battlefields during the period that the resulting World War would of necessity be fought directly against the Kremlin.

Finally, it is high time that the free countries of the world, including the United States, reexamine their policies toward the Communist party.

For too long our governments have been blind to the vicious subversive nature of these foreign Communist party organizations. For too long these fifth column organizations have assisted in the recruitment that has resulted in spying and stealing the most important scientific, atomic, and diplomatic secrets.

The legal privileges extended to these fifth column organizations should be removed. These privileges should be removed with the greatest care to preserve the fundamental freedom of speech, and of thought, and of academic and scientific inquiry.

But freedoms are not served by giving legal shelter to organizations so clearly a part of a world conspiracy directed by an unfriendly foreign power. Freedoms are truly endangered by such soft and confused thinking—such coddling of organized communism.

As you review this message you may get an impression of measures too far-reaching and of a scope too extensive. Let me plead that you realize that we are in this desperate condition in the world today because we have not had policies with vision far-reaching enough, with a scope broad enough, with a perception deep enough.

Our problem is no less than that of the future well-being and freedom of all mankind. Our stake is no less than the survival of this great free nation. Our responsibility is no less than that which devolves upon the leading nation of the world, which with one-sixteenth of the world's people, is producing one-third of all the world's goods and services.

Our challenge is no less than the most fundamental one in all of history. It is a clash of basic ideology that can be traced back to the first philosophers of ancient Greece. Unless we think deeply, unless our plans are broad, unless our vision is far-seeing, we will fail.

But if this great nation and its people have a sense of their mission in this critical hour, if they draw strength from their faith and their heritage; if they keep in mind the fundamentals upon which their nation was founded, we will win!

If the United States waits until the last minute to think these problems through and if we shift and reverse our decisions at a late hour, our entire national defense will be as desperate and unprepared and costly as the small-scale action in Korea has been. The red whirlwind would then indeed be devastating.

My fellow citizens:

Let us face this grave danger with a clear understanding of its nature and power, and with a calm determination to win through. Let us make the sacrifices! Let us take the decisions! We can win through! We must win through!

It will require treasure and toil, thoughtfulness and blood. But I believe, under God, we will win. And in victory we may yet find that out of these dark days will come the brightest dawn for freedom and for the happiness and well-being of mankind that the world has known.

I have faith that this is so because I have faith that the underlying philosophy of our way of life is right. Man was meant to be free! And there is a God!

Maine Central Equip. Trust Ctfs. Offered by Halsey, Stuart Group

Halsey, Stuart & Co. Inc. and associates are offering $5,600,000 Maine Central RR. Co. 2½% equipment trust certificates maturing annually Sept. 1, 1951, to Sept. 1, 1960, inclusive. Issued under the Philadelphia Plan, the certificates are being offered, subject to approval by the Interstate Commerce Commission, at prices to yield from 1.65% to 2.75%.

The certificates will be secured by two new 1,000 h.p. Diesel-electric switching locomotives, eight new 1,500 h.p. Diesel-electric road-switching locomotives and three new 1,200 h.p. Diesel-electric-road switching locomotives and by the following equipment completed new in the years 1946, 1947, 1948 and 1949: two 4,000 h.p. Diesel-electric passenger locomotives; eight de luxe passenger coaches; two restaurant lounge cars; two coach-baggage cars; 249 50-ton steel sheathed box cars; two 3,000 h.p. Diesel-electric freight locomotives; three 2,000 h.p. Diesel-electric passenger locomotives; six 1,500 h.p. Diesel-electric freight locomotives; five 1,500 h.p. Diesel-electric road switching locomotives; three 1,000 h.p. Diesel-electric switching locomotives and four 660 h.p. Diesel-eletric switching locomotives.

Indications of Current Business Activity

The following statistical tabulations cover production and other figures for the latest week or month available. Dates shown in first column are either for the week or month ended on that date, or, in cases of quotations, are as of that date:

		Latest Week	Previous Week	Month Ago	Year Ago
AMERICAN IRON AND STEEL INSTITUTE:					
Indicated steel operations (percent of capacity)	Aug. 20	100.1	99.9	98.2	83.5
Equivalent to—					
Steel ingots and castings (net tons)	Aug. 20	1,930,600	1,926,300	1,894,800	1,539,300
AMERICAN PETROLEUM INSTITUTE:					
Crude oil and condensate output — daily average (bbls. of 42 gallons each)	Aug. 5	5,640,350	5,521,550	5,475,500	4,721,450
Crude runs to stills — daily average (bbls.)	Aug. 5	†5,944,000	5,870,000	5,912,000	5,188,000
Gasoline output (bbls.)	Aug. 5	19,783,000	19,981,000	20,059,000	17,900,000
Kerosene output (bbls.)	Aug. 5	2,055,000	2,293,000	1,752,000	1,663,000
Gas, oil, and distillate fuel oil output (bbls.)	Aug. 5	7,419,000	7,266,000	7,353,000	6,259,000
Residual fuel oil output (bbls.)	Aug. 5	8,079,000	7,870,000	7,916,000	7,220,000
Stocks at refineries, at bulk terminals, in transit and in pipe lines—					
Finished and unfinished gasoline (bbls.) at	Aug. 5	108,895,000	*109,206,000	114,278,000	108,444,000
Kerosene (bbls.) at	Aug. 5	23,560,000	23,352,000	22,035,000	24,885,000
Gas, oil, and distillate fuel oil (bbls.) at	Aug. 5	62,557,000	61,437,000	56,568,000	72,222,000
Residual fuel oil (bbls.) at	Aug. 5	41,791,000	42,253,000	41,874,000	67,281,000
ASSOCIATION OF AMERICAN RAILROADS:					
Revenue freight loaded (number of cars)	Aug. 5	837,218	844,849	553,876	716,863
Revenue freight received from connections (number of cars)	Aug. 5	702,259	685,994	540,985	565,643
CIVIL ENGINEERING CONSTRUCTION — ENGINEERING NEWS-RECORD:					
Total U. S. construction	Aug. 10	$164,018,000	$209,262,000	$364,963,000	$257,314,000
Private construction	Aug. 10	87,469,000	116,094,000	254,053,000	135,745,000
Public construction	Aug. 10	76,549,000	93,168,000	110,910,000	121,569,000
State and municipal	Aug. 10	67,061,000	72,646,000	68,385,000	106,697,000
Federal	Aug. 10	9,488,000	20,522,000	42,525,000	14,872,000
COAL OUTPUT (U. S. BUREAU OF MINES):					
Bituminous coal and lignite (tons)	Aug. 5	10,560,000	*10,760,000	1,610,000	7,522,000
Pennsylvania anthracite (tons)	Aug. 5	935,000	965,000	48,000	690,000
Beehive coke (tons)	Aug. 5	139,400	*163,600	74,200	7,000
DEPARTMENT STORE SALES INDEX—FEDERAL RESERVE SYSTEM—1935-39 AVERAGE=100	Aug. 5	296	*295	218	228
EDISON ELECTRIC INSTITUTE:					
Electric output (in 000 kwh.)	Aug. 12	6,253,141	6,247,464	6,006,345	5,530,090
FAILURES (COMMERCIAL AND INDUSTRIAL) — DUN & BRADSTREET INC.	Aug. 10	194	168	187	176
IRON AGE COMPOSITE PRICES:					
Finished steel (per lb.)	Aug. 8	3.837c	3.837c	3.837c	3.705c
Pig iron (per gross ton)	Aug. 8	$46.61	$46.38	$46.38	$45.91
Scrap steel (per gross ton)	Aug. 8	$39.17	$37.33	$37.08	$20.00
METAL PRICES (E. & M. J. QUOTATIONS):					
Electrolytic copper—					
Domestic refinery at	Aug. 9	22.200c	22.200c	22.200c	17.325c
Export refinery at	Aug. 9	22.425c	22.425c	22.425c	17.550c
Straits tin (New York) at	Aug. 9	101.500c	98.000c	78.750c	103.000c
Lead (New York) at	Aug. 9	12.000c	12.000c	11.000c	15.125c
Lead (St. Louis) at	Aug. 9	11.800c	11.800c	10.800c	14.800c
Zinc (East St. Louis) at	Aug. 9	15.000c	15.000c	15.000c	10.000c
MOODY'S BOND PRICES DAILY AVERAGES:					
U. S. Government Bonds	Aug. 15	102.02	102.02	102.10	103.76
Average corporate	Aug. 15	116.02	115.82	114.66	114.66
Aaa	Aug. 15	120.84	120.84	119.82	120.84
Aa	Aug. 15	119.61	119.41	118.40	119.00
A	Aug. 15	115.43	115.43	114.66	113.89
Baa	Aug. 15	108.70	108.52	106.92	106.04
Railroad Group	Aug. 15	111.62	111.44	109.06	109.42
Public Utilities Group	Aug. 15	117.00	116.80	116.22	115.82
Industrials Group	Aug. 15	119.82	119.61	119.20	119.20
MOODY'S BOND YIELD DAILY AVERAGES:					
U. S. Government Bonds	Aug. 15	2.35	2.35	2.34	2.23
Average corporate	Aug. 15	2.85	2.86	2.92	2.92
Aaa	Aug. 15	2.61	2.61	2.66	2.61
Aa	Aug. 15	2.67	2.68	2.73	2.70
A	Aug. 15	2.88	2.88	2.93	2.96
Baa	Aug. 15	3.24	3.25	3.34	3.39
Railroad Group	Aug. 15	3.08	3.09	3.22	3.20
Public Utilities Group	Aug. 15	2.80	2.81	2.84	2.86
Industrials Group	Aug. 15	2.66	2.67	2.69	2.69
MOODY'S COMMODITY INDEX	Aug. 15	450.5	462.1	429.8	338.0
NATIONAL PAPERBOARD ASSOCIATION:					
Orders received (tons)	Aug. 5	334,123	248,508	226,087	229,455
Production (tons)	Aug. 5	219,0000	215,909	129,356	171,094
Percentage of activity	Aug. 5	98	96	55	82
Unfilled orders (tons) at	Aug. 5	637,177	524,391	491,744	323,864
OIL, PAINT AND DRUG REPORTER PRICE INDEX—1926-36 AVERAGE=100	Aug. 11	128.1	126.7	121.6	128.7
STOCK TRANSACTIONS FOR THE ODD-LOT ACCOUNT OF ODD-LOT DEALERS AND SPECIALISTS ON THE N. Y. STOCK EXCHANGE—SECURITIES EXCHANGE COMMISSION:					
Odd-lot sales by dealers (customers' purchases)—					
Number of orders	July 29	36,956	40,021	51,541	15,699
Number of shares—Customers' total sales	July 29	1,096,323	1,182,756	1,543,106	456,490
Dollar value	July 29	$44,778,927	$49,920,752	$67,599,778	$17,155,684
Odd-lot purchases by dealers (customers' sales)—					
Number of orders—Customers' total sales	July 29	31,685	29,716	45,843	15,997
Customers' short sales	July 29	256	321	293	141
Customers' other sales	July 29	31,429	29,395	45,550	15,856
Number of shares—Customers' total sales	July 29	942,885	890,064	1,434,872	436,867
Customers' short sales	July 29	10,001	12,116	11,359	5,462
Customers' other sales	July 29	932,884	877,948	1,423,513	431,405
Dollar value	July 29	$34,540,019	$33,474,526	$59,792,806	$14,092,163
Round-lot sales by dealers—					
Number of shares—Total sales	July 29	242,830	209,540	422,380	159,990
Short sales	July 29				
Other sales	July 29	242,830	209,540	422,380	159,990
Round-lot purchases by dealers—					
Number of shares	July 29	424,110	485,725	470,700	167,310
WHOLESALE PRICES NEW SERIES — U. S. DEPT. OF LABOR—1926=100:					
All commodities	Aug. 8	165.5	*165.3	161.9	153.3
Farm products	Aug. 8	177.5	179.2	176.3	164.0
Grains	Aug. 8	168.6	169.5	173.1	150.6
Livestock	Aug. 8	241.6	246.4	243.7	211.2
Foods	Aug. 8	174.7	175.2	171.9	160.9
Meats	Aug. 8	255.3	257.9	265.1	224.8
All commodities other than farm and foods	Aug. 8	154.4	*153.4	149.9	145.1
Textile products	Aug. 8	147.5	*146.4	138.7	137.6
Fuel and lighting materials	Aug. 8	134.1	134.0	133.2	129.8
Metals and metal products	Aug. 8	173.9	173.9	173.1	168.2
Building materials	Aug. 8	212.7	210.7	203.8	188.9
Chemicals and allied products	Aug. 8	120.8	120.5	115.7	119.1

*Revised figure. †Includes 476,000 barrels of foreign crude runs.

	Latest Month	Previous Month	Year Ago
AMERICAN GAS ASSOCIATION — For Month of June:			
Total gas (M therms)	2,926,174	3,334,277	2,474,414
Natural gas sales (M therms)	2,679,562	3,033,599	2,226,105
Manufactured gas sales (M therms)	152,222	182,584	163,160
Mixed gas sales (M therms)	94,390	118,094	85,149
AMERICAN IRON AND STEEL INSTITUTE:			
Steel ingots and steel for castings produced (net tons)—Month of July	8,087,610	*8,131,515	5,784,831
Shipments of steel products, including alloy and stainless (net tons)—Month of June	6,192,438	6,252,672	5,177,259
AMERICAN TRUCKING ASSOCIATION— Month of June:			
Number of motor carriers reporting	302	302	302
Volume of freight transported (tons)	4,164,432	*4,020,397	3,311,137
AMERICAN ZINC INSTITUTE, INC.—Month of July:			
Slab zinc smelter output, all grades (tons of 2,000 lbs.)	77,868	75,766	74,569
Shipments (tons of 2,000 lbs.)	84,846	90,920	72,080
Stocks at end of period (tons)	19,687	26,665	85,408
Unfilled orders at end of period (tons)	65,368	63,701	53,423
COAL OUTPUT (BUREAU OF MINES)—Month of July:			
Bituminous coal and lignite (net tons)	35,350,000	46,067,000	*27,071,000
Pennsylvania anthracite (net tons)	2,858,000	*4,196,000	3,925,000
Beehive coke (net tons)	557,000	*515,500	23,300
COMMERCIAL PAPER OUTSTANDING—FEDERAL RESERVE BANK OF NEW YORK— As of July 31 (000s omitted)	$259,000	$240,000	$211,000
CONSUMER PRICE INDEX FOR MODERATE INCOME FAMILIES IN LARGE CITIES 1935-1939 = 100—As of June 15:			
All items	170.2	168.6	169.6
All foods	204.6	200.3	204.3
Cereals and bakery products	169.6	169.6	169.7
Meats	246.7	239.5	240.6
Dairy products	177.1	177.8	182.6
Eggs	149.1	144.4	198.6
Fruits and vegetables	217.2	206.5	217.9
Beverages	295.6	299.2	207.6
Fats and oils	139.6	137.3	142.9
Sugar and sweets	174.3	174.6	176.5
Clothing	185.0	185.1	190.3
Rent	123.9	123.5	120.6
Fuel, electricity and refrigerators	138.9	138.8	135.6
Gas and electricity	97.0	97.1	96.9
Other fuels	189.4	189.1	183.0
Ice	146.6	146.6	140.6
House furnishings	185.2	185.4	187.3
Miscellaneous	155.3	155.3	154.2
COTTON AND PRODUCTION—U. S. DEPT. OF AGRICULTURE—As of Aug. 1:			
Production 500-lb. gross bales	10,308,000	------	16,127,000
COTTON GINNING (DEPT. OF COMMERCE):			
Running bales (exclusive of linters prior to Aug. 1)	283,242	------	297,843
FREIGHT CAR OUTPUT—DOMESTIC (AMERICAN RAILWAY CAR INSTITUTE)—Month of July:			
Deliveries (number of cars)	3,464	3,874	6,434
Backlog of orders at end of month (number of cars)	67,084	40,585	36,564
METAL OUTPUT (BUREAU OF MINES — Month of June:			
Mine production of recoverable metals in the United States:			
Copper (in short tons)	75,168	*74,522	†62,729
Gold (in fine ounces)	191,549	*193,579	†165,982
Lead (in short tons)	36,246	*37,837	†34,156
Silver (in fine ounces)	3,441,716	*3,622,406	†2,889,579
Zinc (in short tons)	49,490	*51,785	†49,433
MOODY'S WEIGHTED AVERAGE YIELD OF 200 COMMON STOCKS — Month of July:			
Industrials (125)	6.36	6.35	6.78
Railroads (25)	5.89	6.92	8.97
‡Utilities (24)	5.99	5.60	5.96
Banks (15)	4.50	4.54	4.70
Insurance (10)	3.74	3.41	3.35
Average yield (200)	6.17	6.17	6.64
NEW CAPITAL ISSUES IN GREAT BRITAIN—MIDLAND BANK, LTD.—Month of July	£13,854,000	£5,931,000	£25,151,000
RAILROAD EARNINGS — CLASS I ROADS (ASSOCIATION OF AMERICAN RRS.) — Month of June:			
Total operating revenues	$779,182,389	$745,406,421	$735,451,268
Total operating expenses	588,763,307	580,566,624	588,186,157
Operating ratio—per cent	75.56%	77.89%	79.98%
Taxes	$84,272,231	$80,746,674	$72,538,619
Net railway operating income before charges	90,046,721	67,031,547	61,133,357
Net income after charges (est.)	72,000,000	45,000,000	42,000,000
UNITED STATES EXPORTS AND IMPORTS—BUREAU OF CENSUS — Month of June (000s omitted):			
Exports	$875,900	$824,500	$1,104,000
Imports	685,600	658,900	525,964
UNITED STATES GROSS DEBT DIRECT AND GUARANTEED—(000s omitted):			
As of July 31	$257,556,877	$257,376,855	$253,902,387
General fund balance	4,500,477	5,517,087	3,337,163
Net debt	$253,056,400	$251,859,768	$250,565,224
Computed annual rate	2.200%	2.200%	2.236%
U. S. GOVT. STATUTORY DEBT LIMITATION As of July 31 (000s omitted):			
Total face amount that may be outstanding at any one time	$275,000,000	$275,000,000	$275,000,000
Outstanding—			
Total gross public debt	257,540,746	257,357,352	253,876,874
Guaranteed obligations not owned by the Treasury	16,130	19,503	25,512
Total gross public debt and guaranteed obligations	$257,556,877	$253,376,855	$253,902,387
Deduct—Other outstanding public debt obligations not subject to debt limitation	721,275	724,721	764,750
Grand total outstanding	$256,835,601	$256,652,133	$253,137,636
Balance face amount of obligations issuable under above authority	18,164,398	18,347,860	21,862,363

*Revised. †Monthly average 1949. ‡Not including stock of American Tel. & Tel.

Continued from page 13

Observations on Economic Mobilization

and families, those businesses like transportation, pipe lines, power, etc., whose expansion in capacity requires long-term forward ordering, are making heavy commitments for freight cars, pipe, turbines and heavy machinery. Allocation of "seed corn" to these latter industries will demand instant attention.

Production

Government: Total defense in the next year is now planned at $35 billion expenditures, of which $20 billion is new. Orders now being placed are chiefly for greater production of tested and accepted material, of which one-fifth is for entirely new weapons. At this time no great expenditure is required for cantonments or increased producing facilities. Many of the World War II plants are in stand-by condition, or are subject to recapture. The same is true of merchant shipping and tankers, while the air freighters are being taken from commercial air-lines. For many facilities, we will be able to draw on the resources of Canada and other former allies.

Private: The entire structure of American industry will expand. This will include mines, steel mills, alcohol and petroleum refineries, power, transport facilities of all kinds, and factory capacity. This expansion may prove to be the greatest weapon produced, and undoubtedly our enemies will take it into account for their decision arrogation. To date, however, there is no visible evidence that this expansion here is subject to co-ordinated planning, and it might be the area of greatest contention and confusion.

On the other hand, the new legislation provides for governtal financial assistance for defense production. Many will be alert, as they were when the Economic Expansion Act was introduced, to see if such financing is utilized to advance government control or regulation of industry in peacetime.

Labor - Manpower - Selective Service

The legislation currently under consideration by Congress contains power to control wages and labor.

It is no secret that these will not be controlled unless the cost of living is stabilized and "equality of sacrifice" is obtained by limitation of profits through excess profits taxation and contract renegotiation. Since these seem many months away, formal control of wages will not come soon.

Labor leaders are aware that there will be a stronger attempt this time to freeze wages, to ban strikes, and possibly to freeze employees in their jobs. Already there are several moves to advance wages.

Labor has asked for greater participation in (a) governmental planning and (b) industry planning in the emergency. The NSRB has given labor recognition in its Committee on Mobilization Policy, but so far no major industry has given labor a seat at its planning table. This latter issue was raised several times in World War II, as by Walter Reuther. It can be expected to be urged more forcibly in the future.

Manpower: The labor force is more than eight million greater today than it was at Pearl Harbor time, but the pool of unemployed is 300,000 less. Already there are manpower pinches, with greater strain coming. Mobilization will not provide excessive drains this year, and the extra demands can be met by overtime, by employment of women and, as a real bright spot, by taking on the oldsters who have had difficulties in gaining employment. This latter reserve is 25% higher than 10 years ago, and contains a high percentage of skill.

Labor costs per unit seem designed to increase.

Selective Service: The difficulty of meeting the threat of Russia's 175 divisions together with the huge force of Communists under arms elsewhere is bound to revive the proposal for Universal Military Service.

At present, enlistments are not proceeding at a fast enough pace, so reservists are being called more rapidly. Expected, too, is the alerting of more National Guard units.

As to the draft, there is still no hard and fast policy. The Department of Labor has suggested deferment classifications but there is no guarantee that these will prevail.

Prices and Rationing

Those who are watching the movement toward controls seem agreed that (a) prices are headed upward, (b) no over-all freeze of the entire price structure is imminent, (c) selective price controls on scarce, allocated products will be urged and found necessary, and (d) it will be difficult to roll back prices to a June date. As to rollbacks, it would seem rather that when prices are controlled, they will be fixed to the relationship to other prices existing before the South Korean attack.

Perhaps the most important factor in the price picture is the level of prices. These are represented by three indexes: the Consumers' Price Index, the Wholesale Price Index, and the Daily Index of 28 Commodities traded daily in spot markets and on organized exchanges. After termination of price control in 1946, all three surged to new highs. The Consumer index went up 30%, and declined only 5% in the post-war period. The Wholesale index went up 50%, sagged back about 11% to its low. The Daily Index had a post-war peak increase of 81%, and declined 36% to its post-war peak low.

Today all three indexes stand almost at their post-war highs, and are headed higher. In other words, we are experiencing rapid inflation in a highly inflated price structure.

To phrase it in a different way: the value of the pre-World War II dollar was 90¢ at the Pearl Harbor date. Since the war its low value was about 57¢. It rallied to about 60¢, and is now worth about 57¢. The degree of devaluation in the future will hinge on (a) the methods of financing defense expenditure, (b) the size of the outlay, and (c) the relative success of selective price controls to be imposed shortly.

The experience prior to passage of the Price Control Act in 1942 demonstrates that wholesale prices can be kept in bounds with industry's help, with or without law. Some effort at voluntary controls over basic materials—steel, copper, lumber, etc.—may be repeated, but the smaller available extra supply will make the task much more difficult.

The greatest demand for control of prices derives today from consumers, and particularly for food price stabilization. But it will be lacking, if the presently considered legislation is enacted. The Congress seems likely to forbid price ceilings on agricultural commodities *below parity or June prices*, whichever is higher. This means that many commodities, like eggs and oranges, are free to rise substantially, and any rollback below June prices would be impossible for cotton, wool, beef cattle and hogs, which are above parity.

Other laws which forbid the sale of government-owned surpluses when prices are below parity will prevent the use of these supplies to halt increases.

Volatility in the consumer prices field will compound wage increase difficulties.

Furthermore, both prices at retail and rationing of consumer goods require nation-wide price and ration organizations for administration and enforcement.

Fortunately, panic buying at the retail level seems to be subsiding. Stocks of food, gasoline and clothing are large and can be increased. Prices of refrigerators, autos and other durable consumer goods will present problems when cutbacks in production occur.

Taxes and the Budget

If experience counts for anything, there is no present guide to determination of the budget for the next year. There is no *fiscal* limit as to what can be committed for defense. Results of the last war proved that we can finance any increases that the productive machine can create.

Two important considerations will substantially determine the inflationary effect of the expenditures. First—the percentage which is financed by taxes. In World War II, 45% of the $391 billion spent was raised by taxation. Second—the type of refinancing utilized for outstanding bonds becoming due. In the remainder of this year several billion dollars of bond refinancing will be necessary. If bank credit is used, then a highly inflationary injection will be put into the stream of spending. If bonds are sold to individual savers, some of the pressure of purchasing power will be relieved.

If one knew the answer to this refinancing problem, he could guess much more intelligently about the prospects for runaway inflation.

The types of new taxation to come are fairly clear, with the exception of the excess profits tax. While there is understandable pressure in Congress for immediate adoption of an excess profits tax, the Treasury technical staff has recognized serious difficulties in selecting a base, or bases, which would be equitable. At present, decision seems likely to be postponed until next year. Undoubtedly, too, there will be recommendation for widening the range of excise taxes, but it is to be hoped that the careful examination of the war hang-over excise taxes by the National Committee for the Repeal of Wartime Excise Taxes will prevent undue hardship.

Foreign Help

One thing seems clear: this emergency will bring the United States and its friends in the world in closer concert.

All signs point toward a wider allied military front, and the possibility of a non-Communist United Nations.

Observers feel that the $5 billion-plus already scheduled for the Military Aid Program is but a small beginning of such appropriations.

There will be insistence that other countries raise their sights. England will probably spend 10% and France 8% of its national income for defense next year.

A raising of the restrictions on production levels, such as steel, for West Germany seems indicated.

In many ways, the ECA program will be redirected toward an arms production program. The Schumann plan for steel may easily serve as a model for other European economic unions.

Canada, which has munition plants geared and tooled to U. S. specifications, will receive U. S. orders. The possibility of a Civilian Joint Chiefs of Staff for United States, Canada, England and possibly other countries is not out of question.

South America, an abundant source of raw material supply, will receive much more attention. Countries like Argentina, Brazil and Mexico, which have been suffering from dollar shortages, will improve their exchange positions.

Special and new methods of helping all the Middle East and Asiatic countries on Russia's periphery are doubtless in the making now. Some of these plans will be the first experiments in the Point Four Program.

Prospective cutbacks in consumers' durable goods, industrial machinery, electrical equipment, etc., have already stimulated Marshall Plan countries more than any organized program was able to do to date.

Purely Speculative

While the vista of things to come is dim, it is well to keep in mind that in the American way of organizing mobilization, each challenge has to be met by those charged with responsibility in their own pattern of performance. The writer once said "It seems as if there is a book of experience, and each page has to be read and turned. Our best hope is that the pages will be turned faster this time, and that the same happy ending is still there."

Second Quarter Production At New Peak

Commerce Department estimates output of goods and services at annual rate of $270 billion, higher by $3 billion than previous high mark reached in last quarter in 1948.

The Office of Business Economics, U. S. Department of Commerce announced on Aug. 15 a gross national product in the second quarter of 1950 was at an annual rate of nearly $270 billion. This figure for the total market value of the nation's output of goods and services was not only $7 billion higher than in the previous quarter but surpassed the previous high mark of $267 billion, reached in the last quarter of 1948.

The second quarter advance was an extension of the upswing in economic activity already under way earlier this year. It did not reflect the new pressures introduced by our nation to put down the aggression in Korea, which began only a few days before the close of the period.

Developments among major components of **gross national product** were as follows:

Personal consumption expenditures rose to $184½ billion at seasonally adjusted annual rates, as compared with $182½ billion in the first quarter and $180½ billion at the end of last year. The latest rise was accompanied by price increases, however, and reflected little change in physical volume.

Principal factors stimulating advances in consumer purchases this year have been the higher incomes generated by expanding economic activity and the receipt by veterans of substantial National Service Life Insurance dividends, as well as liberal extension of consumer credit.

The second quarter increase was concentrated in the nondurable goods—mainly clothing and food—with consumer expenditures for services also contributing. Among the durable goods, which continued to absorb an extraordinary portion of the consumer's expenditure dollar, further increases in automobile buying were offset by some slackening in purchases of furniture and household equipment.

Gross private domestic investment moved forward by more than $5 billion in the second quarter, to an annual rate of $46 billion. The most noteworthy element in this movement was a $2 billion expansion in business purchases of durable equipment, which had already recovered moderately in the first quarter after declining throughout last year. Inventory accumulation, at the rate of $3½ billion annually, was $2 billion greater than in the first quarter. Further extension of the residential building boom added another $1 billion to the rise in gross private domestic investment.

Net foreign investment remained stable in the June quarter at a negative balance amounting to about $2 billion at an annual rate, permitting foreign countries as a whole to effect further improvement of their financial position in relationship to this country.

Government purchases of goods and services were maintained at about the first quarter annual rate of $41½ billion. The prospective trend of Federal expenditures, however, was of course altered sharply upward by the Korean developments.

Salient features of the **national income** data now available were as follows:

Personal income—The income receipts of persons from all sources—declined from an annual rate of $216½ billion in the first quarter to $215 billion in the second, due to concentration of the bulk of the National Service Life Insurance dividend payments to veterans in the first quarter. Personal income exclusive of these special payments rose from $208 billion to $213 billion.

Wages and salaries advanced strongly to add approximately $5 billion to the personal income flow. This gain—the result mainly of increased employment, but also of a lengthened average work week and slightly higher wage rates—brought second quarter pay rolls to a new high rate of $140 billion. Most private industries participated in the upward movement, with advances more pronounced in manufacturing, construction, and mining. Government pay rolls showed little change.

Total proprietors' and rental income, at a rate of $41½ billion annually, was about the same as in the March quarter. A decline in the farm sector—stemming primarily from a more-than-seasonal drop in the volume of crops marketed—held down the total. All major components of nonfarm business and professional entrepreneurial earnings continued to rise. The flow of personal interest income and dividends was stable.

The unusually large decline in **government transfer payments**—from an annual rate of $21 billion in the first quarter to $14 billion in the second—was largely a result of the tapering-off and approaching completion of the National Service Life Insurance refunds. A drop in unemployment compensation benefits, reflecting the improved business situation, was offset by increased State veterans' bonus payments, notably in Pennsylvania.

Bowers Increases Staff

(Special to THE FINANCIAL CHRONICLE)

DENVER, Col.—Robert D. Bowers & Co., Cooper Bldg., have added Albert W. Aderhold, Wayne E. Mahan and Alfred K. Marron to their staff, representing the firm in Nebraska.

Securities Now in Registration

● INDICATES ADDITIONS SINCE PREVIOUS ISSUE

Alabama Power Co., Birmingham, Ala.
July 28 filed 64,000 shares of 4.20% preferred stock (par $100) to be offered in exchange for a like number of outstanding 4.20% preferred shares of Birmingham Electric Co., No underwriter. Expected about Aug. 23.

Alberta-Canada Oils, Inc. (Del.) (9/1)
July 18 filed 1,000,000 shares of common stock (par 50 cents). **Price**—$2.50 per share. **Underwriter**—Thomas G. Wylie Co., New York. **Proceeds**—For general funds.

Allen Organ Co., Allentown, Pa. (9-1)
July 19 (letter of notification) 1 500 shares of 6% preferred stock (par $100) and 750 shares of common stock (par $100). **Price**—At par. **Underwriter**—None. **Proceeds**—For expansion of plant and development of other electronic products. **Office**—8th and Pittston Streets, Allentown, Pa.

American Diamond Mining Corp.
July 28 (letter of notification) 299,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—F. W. MacDonald & Co., New York. **Proceeds**—For exploration and development of property operated in Murfreesboro, Ark. Publicly offered on Aug. 10.

American Fire & Casualty Co., Orlando, Fla.
July 21 (letter of notification) 11,100 shares of common stock (par $10). **Price**—$27 per share. **Underwriter**—Guardian Credit Corp., Orlando. **Proceeds**—For working capital. **Office**—American Bldg., Orlando, Fla. Expected this week.

American Motorists Insurance Co., Chicago
June 28 filed 100,000 shares of capital stock (par $5) being offered to stockholders of record July 25 at rate of one new share for each three held. **Price**—At par. **Proceeds**—For general corporate purposes. **Business**—Casualty insurance. Statement effective July 26.

American Natural Gas Co., New York (8/24)
Aug. 4 filed 334,934 shares of common stock (no par), of which 304,486 shares are to be offered to common stockholders of record Aug. 24 on basis of one new share for each 10 shares held; rights to expire Sept. 14. **Price**—To be filed by amendment (proposed maximum offering price $24.25 per share. **Underwriter**—None. **Proceeds**—To increase investments in stock of Michigan Consolidated Gas Co. and Milwaukee Gas Light Co.

● **American Oil Producers, Inc. (8/21-25)**
Aug. 8 (letter of notification) 290,000 shares of common stock (par one cent). **Price**—$1 per share. **Underwriter**—S. W. Gordon Co., Brooklyn, N. Y. **Proceeds**—For drilling well, equipment and working capital. **Office**—5 Beekman Street, New York 7, N. Y.

American Patent & Trade-Mark Bureau of Washington, D. C., Inc.
Aug. 7 (letter of notification) 49,000 shares of common stock. **Price**—At par ($1 par share). **Underwriter**—None. **Proceeds**—For publishing three books and a monthly newspaper and for working capital. **Office**—62 William Street, New York 5, N. Y.

American Radio & Television, Inc., North Little Rock, Ark.
June 16 (letter of notification) 301,686 shares of common stock (par 10 cents). **Price**—75 cents per share. **Underwriters**—Gearhart, Kinnard & Otis, New York City. **Proceeds**—For additional working capital. **Office**—Fifth and Cornish Streets, No. Little Rock, Ark.

Arkansas Power & Light Co.
May 23 filed 155,000 shares of cumulative preferred stock (par $100). **Proceeds**—To be applitd to (a) redemption on Aug. 1, 1950, at $110 per share plus dividend accruals, of all the 47,609 shares of outstanding $7 preferred and 45,891 shares of outstanding $6 preferred; and (b) the carrying forward of the company's construction program. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Only one bid was made of $100.003 per share, with a $4.95 dividend from Lehman Brothers, Equitable Securities Corp. and White, Weld & Co. (jointly). Statement effective June 12. No further decision reached.

Associated Natural Gas Co., Tulsa, Okla.
March 14 (letter of notification) 2,500 shares of common stock at $100 per share. No underwriter. Proceeds to build a natural gas transmission line. **Office**—105 N. Boulder, Tulsa, Okla.

Avco Manufacturing Corp., N. Y. City
July 14 filed 1,500,000 shares of common stock (par $3) offered in exchange for shares of Bendix Home Appliances, Inc., at the rate of two Avco shares for each Bendix share. Offer expires Aug. 28. **Dealer-Managers**—Emanuel, Deetjen & Co. and Lehman Brothers. Statement effective Aug. 8.

Big Bear Markets of Michigan, Inc., Detroit, Mich. (8/22)
Aug. 3 filed 100,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—J. G. White & Co., Inc., New York. **Proceeds**—To three selling stockholders who own approximately 69% of the outstanding shares. **Business**—Supermarket.

● **Blair Holdings Corp.**
Aug. 8 (letter of notification) 15,000 shares of capital stock. **Price**—At market (approximately $2.75 per share). **Underwriter**—First California Corp., San Francisco, Cal. **Proceeds**—To Virgil D. Dardi, President, the selling stockholder.

● **Brewery Enterprises, Inc., Detroit, Mich.**
Aug 10 (letter of notification) 150,000 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital. **Office**—2543 Guardian Building, Detroit 26, Mich.

Canadian Superior Oil of California, Ltd.
June 27 filed 2,150,000 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—Dillon Read & Co. Inc. **Proceeds**—For geological and drilling operations in Canada. Temporarily postponed.

● **Capital Transit Co., Washington, D. C.**
Aug. 10 (letter of notification) 2,500 shares of common stock (par $100). **Price**—At the market (from $34.50 to $35 per share). **Underwriters**—A. M. Kidder & Co. and Merrill Lynch, Pierce, Fenner & Beane. **Proceeds**—To two selling stockholders.

Central Telephone Co., Lincoln, Neb. (8/25)
Aug. 2 filed 97,000 shares of common stock (par $10) to be offered to common stockholders of Central Electric & Gas Co., the parent, of record about Aug. 25, at the rate of one new share for each 13 shares of Central Electric common stock held; rights expire about Sept. 20. **Price**—To be filed by amendment. **Dealer-Managers**—Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp., New York. **Proceeds**—To pay unsecured note held by International Telephone & Telegraph Co.

Citizens Credit Corp., Washington, D. C.
June 2 (letter of notification) 3,000 shares of class A common stock (par $12.50) and 1,000 shares of class B common stock (par 25 cents), to be sold in units of three shares of class A stock and one share of class B stock. **Price**—$44.50 per unit. **Underwriter**—Emory S. Warren & Co., Washington, D. C. **Proceeds**—For general funds. **Office**—1707 Eye St., N. W., Washington, D. C.

Citizens Telephone Co., Decatur, Ind.
April 27 (letter of notification) 3,000 shares of 4½% preferred stock, non-convertible. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—For plant additions and conversion to dial operations. **Office**—240 W. Monroe St., Decatur, Ind.

City Stores Co.
July 17 filed 149,317 shares of common stock (par $5) offered in exchange for common stock (par $10) of Oppenheim, Collins & Co., Inc., and for the 4½% convertible preferred stock (par $50) and common stock (par $1) of Franklin Simon & Co., Inc., at the following ratios: 1½ shares for each Oppenheim, Collins common share; two shares for each Franklin Simon preferred share and one share for each two common shares of Franklin Simon. Offer expires on Sept. 18. **Dealer-Manager**—W. E. Hutton & Co., New York. Statement effective Aug. 16.

Coca-Cola Bottling Co. of St. Louis.
July 27 (letter of notification) 4,000 shares of common stock (par $1), to be offered to employees. **Price**—$25 per share. **Proceeds**—To benefit employees for services. **Office**—2930 N. Market St., St. Louis, Mo.

● **Columbian Enameling & Stamping Co.**
Aug. 3 (letter of notification) 2,385 shares of common stock. **Underwriter**—Cohu & Co., New York. **Proceeds**—To selling stockholders.

● **Commonwealth Investment Co., San Francisco, California**
Aug. 10 filed 4,000,000 shares of common stock (par $1). **Underwriter**—None. Shares to be purchased through NASD members.

Commonwealth Springfield Drive-In Theatre Corp.
July 10 (letter of notification) $100,000 of debentures and 1,000 shares of common stock (par $1) to be sold in units of one $100 debenture and one share of stock. **Price**—$101 per unit. **Underwriter**—None. **Proceeds**—To reimburse George W. Fuller, Kansas City, Mo., for expenses in completing the Sunset Drive-In Theatre, Springfield, Mo. **Office**—215 W. 18th St., Kansas City, Mo.

● **Consolidated Engineering Corp., Pasadena, Cal.**
Aug. 11 (letter of notification) 1,000 shares of common stock (par $1), to be issued upon exercise of option by Hugh F. Colvin, Treasurer. **Price**—$5 per share. **Proceeds**—For working capital.

● **Consolidated Uranium Mines, Inc.**
Aug. 7 (letter of notification) 400,000 shares of common stock (par 25 cents) and $150,000 of 8% production notes, of which 100,000 shares of stock are to be delivered to Continental Mining & Milling Co. in part payment for its mining interests and machinery, and the remaining 300,000 shares, plus the notes, are to be offered in units of one $500 note and 1,000 shares of stock to unitholders of Continental in exchange for similar production notes and shares of Continental held by them, on an equal face value basis. An additional $41,000 of production notes and 82,000 shares of common stock will be sold to the public at $500 per unit. **Underwriter**—None. **Proceeds**—For mine development and working caiptal. **Office**—522 Felt Building, Salt Lake City, Utah.

Consumers Power Co., Jackson, Mich.
June 23 filed 499,903 shares of common stock (no par) to be offered present holders at the rate of one new share for each 10 held, with an oversubscription privilege. **Underwriter**—To be named in an amendment, along with offering price. Five months ago an offering of 454,457 shares of common stock to common stockholders was underwritten by a group headed by Morgan Stanley & Co. **Price**—Expected to be not less than $33 per share. **Proceeds**—For construction. **Offering**—Postponed.

Continental Refrigeration Corp., N. Y.
July 28 (letter of notification) $250,000 of 6% 5-year income notes dated June 1, 1950 in multiples of $1,000. **Price**—At 100 and interest. **Underwriter**—National Investors Service, New York. **Proceeds**—To pay expenses incurred in prosecuting infringement actions under patent and for commercialization of patent. **Office**—50 Broadway, New York, N. Y.

Credit Finance Services, Inc., Akron, O.
Aug. 4 (letter of notification) $300,000 of 2% to 4% certificates of investment. **Price**—$50 and up per unit. **Underwriter**—None. **Proceeds**—For working capital. **Office**—316 South Main Street, Akron, O.

Cristina Mines, Inc., N. Y. City
May 24 filed 400,000 shares of common stock (par 50 cents). **Underwriter**—Max Wolberg, a director of company. **Price**—$1 per share. **Proceeds**—For development of tonnage and mining and shipment of ore.

Crown Drug Co., Kansas City, Mo.
July 31 (letter of notification) $300,000 of 4½% convertible debenture notes (in denominations of $60, $100, $500 and $1,000) to common stockholders. **Price**—At par. **Underwriters** — Roger W. Babson, Wellesley Hills, Mass.; H. J. Witschner, Kansas City, Mo.; and Statistics Organization, Inc., Babson Park, Mass. **Proceeds** — To retire short term banking debt and for working capital.

Detroit Hardware Manufacturing Co.
Aug. 4 (letter of notification) 100,000 shares of common stock (par $1). **Price**—$3 per share. **Underwriter**—C. G. MacDonald & Co., Detroit. **Proceeds**—To expand facilities and for working capital. **Office**—1320 Mt. Elliott Avenue, Detroit, Mich.

Diesel Power, Inc., Pittsburgh, Pa.
July 28 (letter of notification) 25,000 shares of common stock to be offered only to common stockholders during a 10-day period, up to 100 shares each. **Price**—At par ($1 per share). **Underwriter**—Graham & Co., Pittsburgh, Pa. **Proceeds**—To expand production and for working capital. **Office**—601 Granite Bldg., 6th Ave. and Wood St., Pittsburgh 22, Pa.

● **Doman Helicopters, Inc.**
Aug. 10 (letter of notification) 3,000 shares of capital stock. **Price**—At the market (approximately $2 per share). **Underwriter**—None. **Proceeds**—To Glidden S. Doman, President, the selling stockholder.

● **Drackett Co., Cincinnati, Ohio**
Aug. 8 (letter of notification) 15,191 shares of common stock (par $1), to be offered to employees of the company. **Price**—$4.50 per share. **Underwriter**—None. **Proceeds**—To the Estate of Harry R. Drackett, deceased. **Office**—5020 Spring Grove Avenue, Cincinnati, Ohio.

Duquesne Light Co. (8/28)
July 25 filed $12,000,000 first mortgage bonds due 1980. Underwriters—To be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co., Union Securities Corp. and A. C. Allyn & Co. (jointly); Harriman Ripley & Co., Inc.; White, Weld & Co.; Drexel & Co. and Equitable Securities Corp. (jointly); First Boston Corp.; Glore, Forgan & Co. **Bids**—Expected at 11 a.m. (EDT) on Aug. 28 **Proceeds**—To repay bank loans and finance construction.

Eastern Stainless Steel Corp.
June 7 filed 100,000 shares of capital stock (par $5) to be offered to stockholders of record Aug. 10 at the rate of one new share for each three held, with oversubscription privilege; rights are to expire Aug. 25. **Underwriter**—J. Arthur Warner & Co. Inc., New York. **Price**—$12 per share. **Proceeds**—To pay bank loans and for working capital. Statement effective Aug. 10.

● **Echo Bay Lead-Silver Mines, Inc.**
July 31 (letter of notification) 500,000 shares of capital stock. **Price**—10 cents per share. **Underwriter**—Henry T. Born, Spokane, Wash. **Proceeds**—To develop ore body. **Address**—Box 988, Coeur D'Alene, Idaho.

● **Elkhorn Mining Co.**
Aug. 8 (letter of notification) 10,000 shares of capital stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To develop mining properties. **Office**—Boulder Bank Bldg., Boulder, Mont.

Equipment Finance Corp., Chicago, Ill.
Aug. 7 filed 10,000 shares of 4% cumulative preferred stock, to be offered to officers and employees of this corporation and of Curtis Candy Co., parent. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To acquire equipment and real estate for its parent.

Fedders-Quigan Corp.
June 21 filed 103,402 shares of series A cumulative convertible preferred stock (par $50) to be offered to common stockholders on basis of one preferred share for each 12 shares held. **Price**—To be filed by amendment, along with dividend rate. **Underwriter**—Smith, Barney & Co., New York. **Proceeds**—To pay promissory note, to complete purchase of a new plant at El Monte, Calif., and for additional working capital. Offering postponed.

Federal Services Finance Corp., Washington, D. C.
July 21 (letter of notification) 3,000 shares of 5% convertible preferred stock, series B, to be offered initially in exchange, par for par, for 6% preferred stock. Unexchanged 5% preferred stock was offered to stockholders of record July 28 on basis of one 5% preferred share to reach eight shares of 6% preferred or common stock held; rights expire Aug. 18. **Price**—At par ($100 per share). **Underwriter**—Mackall & Coe, Washington, D. C. **Proceeds**—To redeem 6% preferred stock and for working capital.

First Springfield Corp., Springfield, Mass.
May 29 (letter of notification) 5,471 shares of common stock. **Price**—$15 per share. **Underwriter** — Springfield Mortgage Corp., Springfield 3, Mass. **Proceeds** — For working capital.

Fleetwood Airflow, Inc., Wilkes-Barre, Pa.
April 20 (letter of notification) 79,050 shares of common stock (par 50 cents) to be offered first to common stockholders. **Price**—$1 per share to stockholders and $1.25 to public. **Underwriter**—None. **Proceeds**—For working capital, remaining $28,000 being offered to six creditors in payment of debt. **Office**—421 No. Pennsylvania Ave. Wilkes-Barre, Pa.

Fleetwood-Airflow, Inc., Wilkes-Barre, Pa.
July 19 (letter of notification) 8,965 shares of common stock (par 50 cents). **Price**—At market. **Underwriter**—Howard O'Connor, 302 Cliff Avenue, Pelham, N. Y. **Proceeds**—To selling stockholder.

Florala (Ala.) Telephone Co.
June 29 (letter of notification) 1,200 shares of 4% cumulative preferred stock. **Price**—At par ($25 per share). **Underwriter**—None. **Proceeds**—To extend and modernize plant, lines and other telephone facilities.

Frontier Leather Co., Sherwood, Ore.
July 8 (letter of notification) 1,000 shares of 6% cumulative preferred stock (par $100) and 10,000 shares of common stock (par 20 cents) to be offered in units of one preferred and ten common shares. **Price**—$101 per unit. **Underwriter**—George Patton & Co., Portland, Ore. **Proceeds**—To pay off mortgages and for additions, plant facilities and equipment.

● **General Aviation Equipment Corp., N. Y.**
Aug. 9 (letter of notification) 60,000 snares of common stock (par $1). **Price**—$1.25 per share. **Underwriter**—John C. Kahn Co., Washington, D. C. **Proceeds**—For working capital. **Office**—2 East End Avenue, New York 21, N. Y.

General Plywood Corp., Louisville, Ky.
July 17 (letter of notification) 101,500 shares of common stock (par 50 cents). **Price**—$2.11 per share. **Underwriter**—None. **Proceeds**—For working capital. **Office**—334 East Broadway. Louisville, Ky.

General Radiant Heater Co., Inc.
May 3 filed 170,000 shares of common stock (par 25¢) **Price**—$3 per share. **Proceeds**—For plant and warehouse, advertising research, working capital, etc. Temporarily postponed. Amendment may be filed.

General Shoe Corp., Nashville, Tenn.
June 30 filed a maximum of 32,885 shares of common stock (par $1) to be offered on a share-for-share basis in exchange for outstanding preferred stock of W. L. Douglas Shoe Co. No underwriter. Statement effective July 25.

Georgia-Pacific Plywood & Lumber Co.
July 27 (letter of notification) 4,000 shares of common stock (par $1). **Price**—$14 per share. **Underwriter**—Reynolds & Co., New York. **Proceeds**—For benefit of Julian North Cheatham, Winnetka, Ill., the selling stockholder. To be placed privately.

Globe Hill Mining Co., Colorado Springs, Colo.
May 26 (letter of notification) 5,885,000 shares of common stock. **Price**—At par (one cent per share). **Underwriters**—George C. Carroll Co., Denver; Inter-Mountain Shares, Inc., Denver; and M. A. Cleek, Spokane, Wash. **Proceeds**—For mining equipment.

Granite City (Ill.) Steel Co. (8/22)
July 31 filed 99,446 shares of common stock (no par) to be offered common stockholders of record Aug. 22 on basis of one new share for each four shares held; rights will expire on Sept. 5. **Price**—To be filed by amendment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, New York. **Proceeds** — For general corporate purposes.

Granville Mines Corp., Ltd., British Columbia, Canada
Feb. 16 filed 100,000 shares of common non-assessable stock (par 50c). **Price**—35c per share. **Underwriter**—None. **Proceeds**—To buy mining machinery and for working capital. Statement effective May 10.

● **Idaho Maryland Mines Corp., San Francisco, California**
Aug. 8 (letter of notification) 10,000 shares of common stock. **Price**—At market (about $1.40 per share). **Underwriter**—E. F. Hutton & Co., San Francisco. **Proceeds**—To a selling stockholder.

Indiana Gas & Water Co., Inc. (8/29)
July 28 filed $9,500,000 of first mortgage bonds, series A, due Sept. 1, 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Harriman Ripley & Co., Inc. and Blyth & Co., Inc. (jointly); Kidder, Peabody & Co.; Lehman Brothers and Bear, Stearns & Co. (jointly). **Proceeds**—To redeem $9,440,000 outstanding bonds. **Offering**—Expected late this month.

NEW ISSUE CALENDAR

August 21, 1950	
American Oil Producers, Inc.	Common
Transvision, Inc.	Common
August 22, 1950	
Big Bear Markets of Michigan, Inc.	Common
Granite City Steel Co.	Common
Tele-Tone Radio Corp.	Pfd. & Common
August 23, 1950	
Kansas City Southern Ry. noon (EDT)	Equip. Trust Ctfs.
Pacific Petroleums, Ltd.	Common
August 24, 1950	
American Natural Gas Co.	Common
August 25, 1950	
Central Telephone Co.	Common
August 28, 1950	
Duquesne Light Co. 11 a.m. (EDT)	Bonds
Standard Coil Products Co., Inc.	Common
August 29, 1950	
Indiana Gas & Water Co., Inc.	Bonds
September 1, 1950	
Alberta-Canada Oils, Inc.	Common
Allen Organ Co.	Pfd. & Common
September 7, 1950	
Plantation Pipe Line Co.	Debentures
Vulcan Detinning Co.	Common
September 11, 1950	
Tennessee Gas Transmission Co.	Bonds
September 12, 1950	
Utah Power & Light Co.	Common
Virginia Electric & Power Co.	Bonds
September 19, 1950	
New Hampshire Electric Co.	Bonds
September 27, 1950	
Delaware Power & Light Co.	Bonds
October 9, 1950	
Utah Power & Light Co.	Bonds
OFFERINGS TEMPORARILY POSTPONED	
Canadian Superior Oil of California, Ltd.	Common
Consumers Power Co.	Common
Fedders-Quigan Corp.	Common
General Radiant Heater Co., Inc.	Common
Middlesex Water Co.	Common
Northwestern Public Service Co.	Common
Public Service Co. of Colorado	Debs. & Pfd.
Rochester Telephone Corp.	Common
Safeway Stores, Inc.	Pfd. & Com.
Southern Co.	Common
United States Plywood Corp.	Preferred

Industrial Stamping & Mfg. Co.
July 6 filed (by amendment) $500,000 of first mortgage 5% bonds due 1967 (with warrants to purchase 60,000 shares of common stock) and 400,000 shares of common stock (par $1). Of the latter, 272,000 shares will be publicly offered and 28,000 shares will be offered to certain officers and directors of the company; 60,000 shares to be reserved for stock options; and 40,000 shares to be optioned to the underwriter of the bonds. **Price**—of bonds, 100; and of stock to public and employees, $1 per share. **Underwriters**—For bonds, P. W. Brooks & Co., Inc.; for stock, Baker, Simonds & Co. **Proceeds**—To pay mortgage and certain debts, and balance added to working capital, part of which will be used to reduce bank loans. **Statement**—Effective Aug. 9. **Offering**—Bonds being offered today (Aug. 17).

Interstate Finance Corp., Dubuque, Iowa
June 14 (letter of notification) 4,000 shares of common stock (par $5) and 2,000 shares of B common stock (par $5). **Price**—$25 per share. **Underwriter**—None. **Proceeds**—To increase working capital. **Office** — 1157 Central Ave., Dubuque, Ia.

Kauai Engineering Works, Ltd., Lihue, Hawaii
June 23 (letter of notification) 98,000 shares of common stock (par $1). **Price**—$1.10 per share. **Underwriter**—Ross & Co., Box 2665, Honolulu, T. H. **Proceeds**—For working capital. **Co.'s Address**—Box 1589, Lihue, T. H.

Kaye-Halbert Corp., Culver City, Calif.
July 28 filed 100,000 shares of class A common stock (par $1). **Price**—$5 per share. **Underwriter**—Sills, Fairman & Harris, Inc., Chicago, Ill. **Proceeds**—For working capital.

Leigh Foods, Inc. (N. Y.)
June 30 (letter of notification) 300,000 shares of capital stock (par 10 cents). **Price**—$1 per share. **Underwriter**—None. **Proceeds**—For working capital and general corporate purposes. **Office**—630 Fifth Avenue, New York 20, New York.

Louisiana Power & Light Co.
May 23 filed 90,000 shares of preferred stock (par $100). **Proceeds**—To be used to redeem, at $110 per shart plus dividend accruals, the 59,422 shares of outstanding $6 preferred stock, and for construction and other purposes. **Bids**—Received by company up to noon (EDT) on June 19, but rejected. Three bids were made as follows: Union Securities Corp., $100.40 per share with a $4.65 dividend; Blyth & Co., Inc., and Equitable Securities Corp. (jointly), $100.10 with a $4.65 dividend; and W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $5.80 dividend. Statement effective June 12. No further decision reached.

Loven Chemical of California, Newhall, Calif.
May 31 (letter of notification) 282,250 shares of capital stock. **Price**—At par ($1 per share). **Underwriter**—Floyd A. Allen & Co., Inc., Los Angeles, Calif. **Proceeds**—To buy land, build a plant and equip it to produce so-called "impact" plastics. **Office**—244 S. Pine St., Newhall, Calif.

Merry Brothers Brick & Tile Co., Augusta, Ga.
June 15 (letter of notification) 1,250 shares of 5% cumulative preferred stock. **Price**—At par ($100 per share). **Underwriter**—Johnson, Lane, Space & Co., Inc. **Proceeds**—To Ernest B. Merry, Jr., Vice-President and General Manager, the selling stockholder.

● **Michigan Abrasive Co., Detroit, Mich.**
Aug. 7 (letter of notification) 60,000 shares of 6% cumulative convertible preferred stock (par $5) and 150,000 shares of common stock (par $1), the latter to be reserved for conversion of preferred. **Price**—Of preferred, at par. **Underwriter**—Bradley Higbie & Co., Detroit. **Proceeds**—To pay bank loans and for new construction.

Middle South Utilities, Inc.
June 1 filed 400,000 shares of common stock (no par) to be offered to preferred stockholders of three subsidiaries—Arkansas Power & Light Co., Louisiana Power & Light Co. and Mississippi Power & Light Co. **Underwriter**—Equitable Securities Corp will serve as "dealer-manager." (See also listings of Arkansas, Louisiana and Mississippi companies elsewhere in these columns.)

Middlesex Water Co., Newark, N. J.
Feb. 9 (letter of notification) 5,200 shares of common stock offered to common stockholders at $50 per share on a one-for-five basis. **Underwriter**—Clark, Dodge & Co. **Proceeds**—To pay notes and for additional working capital. Indefinitely postponed.

Miles Laboratories, Inc., Elkhart, Ind.
June 23 (letter of notification) 2,500 shares of common stock (no par). **Price**—$16.50 per share. **Underwriter**—Cohu & Co., New York City. **Proceeds**—To two selling stockholders. Offering date indefinite.

Miller (Walter R.) Co., Inc.
March 6 (letter of notification) 1,000 shares of 6% cumulative preferred stock at par ($100 per share). Underwriter—George D. B. Bonbright & Co., Binghamton, N. Y. Proceeds—To assist in acquisition of 1216 shares of company's common stock.

Mission Appliance Corp., Hawthorne, Calif.
July 24 filed 50,000 shares of 6% cumulative convertible preferred stock. **Price**—At par ($20 per share). **Underwriter**—Lester & Co., Los Angeles, Calif. **Proceeds**—To retire bank loans and install machinery and equipment in a proposed new plant to be located east of the Rocky Mountains. **Business**—Manufacturer of gas and electric water and space heaters.

Mississippi Power & Light Co.
May 23 filed 85,000 shares of cumulative preferred stock (par 100). **Proceeds**—To be used to redeem at $110 per share plus dividends, the outstanding 44,476 shares of $6 preferred stock and for construction and other corporate purposes. **Bids**—Received by company up to noon (EDT) on June 19 but rejected. Four bids were made as follows: Union Securities Corp., $100.10 per share with a $4.80 dividend; Lehman Brothers, $100.551 with a $4.85 div.; W. C. Langley & Co. and First Boston Corp. (jointly), $100.30 with a $4.90 dividend; and Blyth & Co., Inc., Equitable Securities Corp., Shields & Co., White, Weld & Co. and Kidder, Peabody & Co. (jointly), $100.19 with a $4.90 dividend. Statement effective June 12. No further decision reached.

Mt. Carmel (Ill.) Public Utility Co.
July 24 (letter of notification) 3,000 shares of 4% preferred stock being offered to common stockholders of record July 31 in ratio of one preferred for each six common held; rights to expire Aug. 30. **Price** — At par

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($100 per share). **Underwriter**—None. **Proceeds**—To retire short-term notes and expand facilities. **Office** — 316 Market St., Mt. Carmel, Illinois.

New Hampshire Electric Co. (9/19)
Aug. 2 filed $3,600,000 of first mortgage sinking fund bonds, series A, due 1975. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; The First Boston Corp.; Kidder, Peabody & Co., and White, Weld & Co. (jointly). **Proceeds**—To retire (a) $1,880,000 first mortgage bonds, series A and B, due 1963, and (b) $1,250,000 of bank loans due Dec. 31, 1952; and the balance for construction purposes. **Bids**—Expected to be invited around Sept. 7 and opened on Sept. 19.

Norlina Oil Development Co., Washington, D. C.
March 28 filed 600 shares of capital stock (no par.) To offer only sufficient shares to raise $1,000,000 at $5,000 per share. No underwriter. Proceeds to be used to explore and develop oil and mineral leases. Statement effective May 22.

Northern Illinois Coal Corp., Chicago
May 10 (letter of notification) up to 2,000 shares of common stock (no par) to be sold at the market price (between $20 and $22 per share) by T. Howard Green, a Vice-President of the company. **Underwriter**—Faroll & Co., Rogers & Tracy and Shields & Co., Chicago.

Northwestern Public Service Co., Huron, S. D.
June 9 filed 49,200 shares of common stock (par $3) to be offered to present stockholders at rate of one share for each 10 held. **Underwriter**—A. C. Allyn and Co., Inc., New York. **Price**—To be filed by amendment. **Proceeds**—For construction expenditures. Postponed temporarily.

Ohio Oil & Gas Co.
May 5 (letter of notification) 1,100 shares of common stock now held in treasury. **Price**—50 cents per share **Underwriter**—None. To be offered through Preston, Watt and Schoyer. **Proceeds**—Toward repayment of bank loans.

Orchards Telephone Co., Orchards, Wash.
March 16 (letter of notification) 500 shares of common stock. **Price**—At par ($100 per share). **Underwriter**—None. **Proceeds**—To modernize plant.

Pacific Petroleums Ltd. (8/23-29)
June 30 filed 900,000 shares of common stock (par $1-Canadian). **Price**—To be filed by amendment. **Underwriter**—Eastman, Dillon & Co. **Proceeds**—To pay bank loan and for corporate purposes, including development of oil and gas lands.

Pan American Gold Ltd., Toronto, Canada
July 20, 1948 filed 1,983,295 shares of common stock (par $1). Underwriters may be brokers. **Price**—45 cents per share. **Proceeds** — Mainly for development. Statement effective April 10, 1950.

Parks Air Lines, Inc., East St. Louis, Ill.
July 26 (letter of notification) 100,000 shares of common stock (par $2). **Price**—$3 per share. **Underwriter**—None. **Proceeds**—For operating purposes. **Office**—Parks Metropolitan Airport, East St. Louis, Ill.

● **Perlite Mines Co., Denver, Colo.**
Aug. 10 (letter of notification) $150,000 of 5½% debenture certificates due 1955 (in denominations of $500 each) and 30,000 shares of common stock (no par). **Price**—For certificates, $400 each; for stock, $1 per share . **Underwriter**—Robert D. Bowers & Co., Denver. **Proceeds**—For working capital.

● **Plantation Pipe Line Co. (9/7)**
Aug. 10 filed $40,000,000 of 20-year sinking fund debentures due 1970. **Underwriter**—Morgan Stanley & Co. **Price**—To be filed by amendment. **Proceeds**—For construction of pipe line and other corporate purposes.

Power Petroleum Ltd., Toronto Canada
April 25, 1949, filed 1,150,000 shares ($1 par) common of which 1,000,000 on behalf of company and 150,000 by New York Co., Ltd. **Price**—50 cents per share **Underwriters**—S. G. Cranwell & Co., New York. **Proceeds**—For administration expenses and drilling. Statement effective June 27, 1949.

Public Service Co. of Colorado
June 26 filed $7,000,000 of convertible debentures, due 1960, and 100,000 shares of cumulative preferred stock (par $100). **Underwriters**—To be determined by competitive bidding, along with prices, interest rate on debentures and dividend rate on preferred stock. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc., and Smith, Barney & Co. (jointly); Lehman Brothers; First Boston Corp.; Harris, Hall & Co., Inc.; Kidder, Peabody & Co. Probable bidders for preferred: Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Lehman Brothers; First Boston Corp., Boettcher & Co and Bosworth, Sullivan & Co.; Kuhn, Loeb & Co. and Harris, Hall & Co., Inc. (jointly). **Proceeds**—For construction. Temporarily postponed. It was stated on Aug. 1 that company plans to reduce new financing to $10,000,000 preferred stock which may be placed privately, the debentures probably being withdrawn.

Resort Airlines, Inc., Pinehurst, N. C.
June 19 (letter of notification) 13,547 shares of common capital stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—For working capital.

Rochester (N. Y.) Telephone Corp.
June 29 filed 125,000 shares of common stock (par $10) to be offered to present stockholders at rate of one new share for each four held. **Price**—To be filed by amendment. **Underwriter**—The First Boston Corp., New York. **Proceeds**—For general corporate purposes, including construction and repayment of a loan. Offering postponed.

Rocky Mountain Textile Mills, Inc.
July 11 (letter of notification) $150,000 of 5% convertible sinking fund debentures, due 1960, and 15,000 shares of common stock (par $10), to be sold separately or in units of one $1,000 debenture and 100 shares of stock. **Price**—Separately, at par, and in units, at $2,000 each. **Underwriters**—Boettcher & Co. and Peters, Writer & Christensen, Inc., Denver, Col. **Proceeds**—For new machinery, equipment and working capital. May be placed semi-privately.

● **Roller Skating, Inc., Phoenix, Ariz.**
Aug. 10 (letter of notification) 149,800 shares of preferred stock and 8,300 shares of common stock. **Price**—At par ($1 per share). **Underwriter**—None. **Proceeds**—To erect a roller skating rink. **Office**—419 Security Building, Phoenix, Ariz.

Roper (George D.) Corp., Rockford, Ill.
Aug. 3 (letter of notification) 4,500 shares of common stock (par $5). **Price**—$22 per share. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane, Chicago, Ill. **Proceeds**—For benefit of Grace Y. Roper, a stockholder.

Royal Television & Electronics, Inc., Washington, D. C.
June 22 (letter of notification) 600,000 shares of common stock (par 10 cents). **Price**—50 cents per share. **Underwriter**—None. **Proceeds**—To buy television set components. **Office**—714 Fifth St., N. W., Washington, D. C.

Safeway Stores, Inc.
June 8 filed 321,000 shares of cumulative preferred stock (par $100) and 257,064 shares of common stock (par $5). The common will be offered to common stockholders at the rate of one new share for each 10 shares held. Of the preferred 205,661 shares will be offered in exchange for 186,965 shares of outstanding 5% preferred stock, along with an unspecified cash payment. **Underwriter**—Merrill Lynch, Pierce, Fenner & Beane will offer the unsubscribed common shares as well as 85,114 shares of preferred not needed for the exchange and 30,225 shares which will be created by converting that many of the old 5% shares brought in under the exchange into new preferred stock. Any old preferred not exchanged will be redeemed on Oct. 1. **Price**—To be filed by amendment, along with the dividend rate on the new preferred. **Proceeds**—To redeem the unexchanged 5% stock, make cash payments on exchange, and toward the prepayment of $20,000,000 in bank loans. **Offering**—Temporarily postponed until September.

Seneca Oil Co., Oklahoma City, Okla.
April 27 (letter of notification) 225,782 shares of class A stock (par 50¢). **Price**—$1.25 per share. **Underwriter**—Genesee Valley Securities Co., Rochester, N. Y. **Proceeds**—To acquire properties and for working capital.

Simmel-Meservey Television Productions, Inc.
June 29 (letter of notification) 150,000 shares of common stock (par $1). **Price**—$2 per share. **Underwriter**—Koellmer & Gunther, Newark, N. J. **Proceeds**—To complete films in progress and for general corporate purposes. **Office**—321 So. Beverly Drive, Beverly Hills, Calif.

Southern Co.
July 28 filed 818,415 shares of common stock (par $5) to be offered in exchange for 545,610 shares of common stock of Birmingham Electric Co. No underwriter. Expected about Aug. 23.

Southern Co., Atlanta, Ga.
June 23 filed 1,000,000 shares of common stock (par $5). **Underwriters**—To be determined by competitive bidding. Probable bidders are: Morgan Stanley & Co., Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly); Blyth & Co., Inc. and Bear, Stearns & Co. (jointly); Lehman Brothers; Union Securities Corp. and Equitable Securities Corp. (jointly); Harriman Ripley & Co., Inc. **Proceeds**—To purchase shares of subsidiaries in order to assist them in financing new construction. Temporarily postponed.

Southwest Natural Gas Co., Shreveport, La.
June 26 (letter of notification) 13,500 shares of common stock to be sold by Ronald M. Craigmyle, at market (about $7.37½ per share) through Craigmyle, Pinney & Co., New York City.

● **Standard Coil Products Co., Inc. (8/28-9/1)**
Aug. 11 filed 367,500 shares of common stock (par $1). **Price**—To be filed by amendment. **Underwriter**—F. Eberstadt & Co. Inc. **Proceeds**—To three selling stockholders.

Standard Oil Co. (New Jersey)
July 14 filed 293,333 shares of capital stock (par $25), offered in exchange for 500,000 shares of outstanding capital stock of Creole Petroleum Corp. at rate of eight Standard Oil shares for 15 Creole shares. Offer expires Sept. 22. **Purpose**—To increase holdings of Creole stock to 95% from present 93.12%. Statement effective Aug. 2.

Sudore Gold Mines Ltd., Toronto, Canada
June 6, 1949, filed 375,000 shares of common stock. **Price**—$1 per share (U. S. funds). **Underwriter**—None. **Proceeds**—Funds will be applied to the purchase of equipment, road construction, exploration and development

Tele-Tone Radio Corp., N. Y. City (8/22)
June 22 filed 135,000 shares of common stock (par $1) **Price**—$5.50 per share. **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds**—To 15 selling stockholders.

Tele-Tone Radio Corp., N. Y. City (8/22)
June 22 filed 100,000 shares of cumulative convertible class A stock. **Price**—At par ($10 per share). **Underwriters**—Sills, Fairman & Harris; Straus & Blosser. **Proceeds** — For additional plant facilities and for working capital.

● **Tennessee Gas Transmission Co. (9/11)**
Aug. 10 filed $40,000,000 of first mortgage pipe line bonds due 1970. **Underwriters**—To be determined by competitive bidding. Probable bidders—Halsey, Stuart & Co. Inc.; Stone & Webster Securiites Corp. and White, Weld & Co. (jointly); Kuhn, Loeb & Co. and A. C. Allyn & Co. (jointly). **Proceeds**—To pay off $35,000,000 of short-term notes and for expansion.

Texas Consolidated Oils (formerly Texmass Petroleum Co.)
July 24 filed voting trust certificates representing 25,500 shares of $5 cumulative preferred stock, class A (no par). **Voting Trustees**—John F. Chase, Lindsey Hooper and Forrester A. Clark. **Office**—Dallas, Tex.

Transvision, Inc. (8/21-25)
June 13 filed 300,000 shares of common stock (par $1). **Price**—2.75 per share. **Underwriter**—Blair F. Claybaugh & Co., New York. **Proceeds**—To increase working capital and repay loans from RFC and Croydon Syndicate, Inc.

● **Unexcelled Chemical Corp.**
Aug. 14 (letter of notification) 52,097 shares of capital stock to be offered to stockholders of record Aug. 21 on basis of one new for each five shares held; rights to expire in 30 days. Unsubscribed shares to be offered to employees and others. **Price**—At par ($5 per share). **Underwriter**—None. **Proceeds**—For expansion and working capital. **Office**—350 Fifth Avenue, New York, N. Y.

United States Plywood Corp.
June 19 filed 60,000 shares of series B cumulative convertible preferred stock (par $100). **Underwriter**—Eastman, Dillon & Co., New York. **Price**—To be filed by amendment along with dividend rate. **Proceeds**—To increase working capital and for other corporate purposes, including the erection of a new plant at Anderson, Calif. Temporarily postponed.

Utah Power & Light Co. (10/9)
Aug. 2 filed $8,000,000 first mortgage bonds due 1980. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Smith, Barney & Co. (jointly); First Boston Corp. and Blyth & Co., Inc.; Harriman Ripley & Co., Inc.; Kidder, Peabody & Co.; White, Weld & Co.; Salomon Bros. & Hutzler. **Proceeds**—For construction program.

Utah Power & Light Co. (9/12)
Aug. 2 filed 166,604 shares of common stock (no par) to be offered to common stockholders of record Sept. 12 on basis of one new share for each eight shares held. **Underwriters**—To be determined by competitive bidding. Probable bidders: Blyth & Co., Inc.; Union Securities Corp. and Smith, Barney & Co. (jointly); Lehman Brothers; W. C. Langley & Co. and Glore, Forgan & Co. (jointly); Kidder, Peabody & Co. and Merrill Lynch, Pierce, Fenner & Beane (jointly). **Proceeds**—For construction program.

Vanadium-Alloys Steel Co.
Aug. 1 (letter of notification) 3,000 shares of capital stock (no par) to be offered employees. **Price**—$31 per share. **Underwriter**—None. **Proceeds**—To be added to general working capital.

Vieh Co., Columbus, Ohio
May 8 (letter of notification) 19,500 shares of common stock at $10 per share. **Underwriter**—The Ohio Co. **Proceeds**—To buy the assets of Brodhead-Garrett Co. and for working capital.

Virginia Electric & Power Co. (9/12)
Aug. 9 filed $20,000,000 first and refunding mortgage bonds, series H, due 1980. **Underwriter**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; Union Securities Corp.; Kuhn, Loeb & Co.; White, Weld & Co.; Stone & Webster Securities Corp.; Salomon Bros. & Hutzler; First Boston Corp. **Proceeds**—To pay bank loans and for construction program. Expected this Fall.

● **Vulcan Detinning Co. (9/7)**
Aug. 15 filed 120,000 shares of common stock (par $10). **Price**—To be filed by amendment. **Underwriter**—Goldman, Sachs & Co. and Lehman Brothers. **Proceeds**—To Continental Can Co., Inc., the selling stockholder.

● **Webb's City, Inc., St. Petersburg, Fla.**
Aug. 10 (letter of notification) $100,000 of 10-year 5% debentures to be offered in units of $100 each. **Underwriter**—None. **Proceeds**—For capital replacement. **Office**—128 Ninth Street, South, St. Petersburg, Fla.

West Disinfecting Co.
July 25 (letter of notification) 3,000 shares of common stock (par 50 cents). **Price**—At market (about $10 per share). **Underwriter**—Coffin & Burr, Inc., New York. **Proceeds**—To selling stockholder. **Office**—42-16 West Street, Long Island City, N. Y.

● **West Ohio Telephone Co., Covington, Ohio**
Aug. 11 (letter of notification) 410 shares of 5% preferred stock (par $100) to be offered in exchange for a like amount of outstanding shares of 6% preferred stock (par $100) of Stillwater Telephone & Telegraph Co., Covington, Ohio. **Underwriter**—None.

Western Carolina Telephone Co., Franklin, N. C.
June 22 (letter of notification) 1,406 shares of capital stock to be offered to stockholders at rate of one share for each two shares held. **Price**—At par ($50 per share). **Underwriter**—None. **Proceeds**—To pay bank loans.

Western Uranium Cobalt Mines, Ltd., Vancouver, B. C., Canada
Feb. 28 filed 800,000 shares of common capital stock (par $1). **Price**—35 cents per share. **Underwriter**- None. **Proceeds**—Exploration and development work. Statement effective May 23.

Prospective Offerings

Aetna Finance Co.
June 3 it was reported company may do some financing later this year. Traditional underwriter: Goldman, Sachs & Co.

Alabama Power Co.
May 12 company reported to be considering issue in late summer of about $10,000,000 preferred stock. Probable bidders: Morgan Stanley & Co.; Blyth & Co., Inc.; Union Securities Corp. and Equitable Securities Corp. (jointly); First Boston Corp.; Drexel & Co. Proceeds will be used for construction expenditures.

American Investment Co. of Illinois
May 24 announced company is planning to file shortly a registration statement covering 160,000 shares of prior preferred stock (par $50). **Price**—To be filed by amendment. **Underwriters**—Glore, Forgan & Co.; Kidder, Peabody & Co., and Alex. Brown & Sons, and others. **Proceeds**—For additional working capital.

Anton Oil Corp., Fort Worth, Tex.
July 31 it was rumored that a registration statement will be filed covering $10,500,000 of preferred and common stock.

Associated Natural Gas Co.
June 14 it was announced company plans issuance of $234,000 common stock and $450,000 of 18-year 4½% first mortgage bonds, plus a 5-year bank loan of $250,000, to finance construction of a new pipe line project in southeastern Missouri, authorized by FPC, to cost $934,000.

Associated Telephone Co., Ltd.
June 15 it was announced that the company's present intention is to raise approximately $10,000,000 of additional funds by selling, in the fall of the current year, 50,000 additional shares of cumulative preferred stock (par $20), a like amount of common stock (par $20) and $8,000,000 of first mortgage bonds, series G. **Underwriters**—For preferred stock, probably Paine, Webber, Jackson & Curtis, Stone & Webster Securities Corp. and Mitchum, Tully & Co. For the bonds, to be determined by competitive bidding. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Lehman Brothers; Paine, Webber, Jackson & Curtis and Stone & Webster Securities Corp. (jointly); White, Weld & Co. and Kidder, Peabody & Co. (jointly); Equitable Securities Corp. and Harris, Hall & Co. (Inc.) (jointly). **Proceeds**—For construction program.

Associates Investment Co., South Bend, Ind.
July 26, it was announced stockholders will vote Aug. 29 on authorizing an issue of 200,000 shares of preferred stock. May be placed privately. Traditional underwriters: F. S. Moseley & Co.; Glore, Forgan & Co.; and Merrill Lynch, Pierce, Fenner & Beane.

● **Canada (Dominion of)**
Aug. 15 it was announced that early registration is expected of an issue of $50,000,000 of 2¾% bonds due 1975. **Underwriter**—Morgan Stanley & Co. will head group. **Proceeds**—To redeem on Oct. 1, next, one-half of $100,000,000 issue of 4% external bonds due Oct. 1, 1960, which are payable in U. S. dollars. The remaining $50,000,000 necessary for the redemption will come from treasury funds.

Central Maine Power Co.
July 24 New England Public Service Co. applied to the SEC for authority to sell 260,000 shares of its holdings (1,315,181 shares) of the common stock of Central Maine Power Co. at competitive bidding prior to Oct. 1, 1950. Probable bidders: Blyth & Co., Inc., and Kidder, Peabody & Co. (jointly); Coffin & Burr, Inc.; First Boston Corp.; Harriman Ripley & Co., Inc. and Goldman, Sachs & Co. (jointly). The proceeds would be used to pay outstanding notes of NEPSCO.

Central States Electric Corp.
March 1 it was announced that under an amended plan of reorganization it is proposed to issue to holders of all classes of 6% preferred stock for each old share the right to buy a unit consisting of eight shares of new common stock and $14 principal amount of new 4½% income debentures for a package price of $18. The common stock, except for approximately 4,600,000 shares held by Harrison Williams and associates, would be offered the right to buy a unit of one new common share and $1.75 of new income debentures for a package price of $2.25 for each five common shares held. The issue of new stock and debentures would be underwritten by Darien Corp. and a banking group headed by Hemphill Noyes, Graham, Parsons & Co., Shields & Co., Blair, Rollins & Co., Drexel & Co. and Sterling Grace Co.

Central Vermont Public Service Corp.
May 4, it was announced that if offer to acquire Green Mountain Power Corp. becomes effective, it plans to refund outstanding $7,715,000 first and refunding 3¾% bonds due 1963 of Green Mountain by the issue and sale for cash of first mortgage bonds of a new series and of a new series of preferred stock, $100 par value. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; probable bidders for preferred: W. C. Langley & Co. and Hemphill, Noyes, Graham, Parsons & Co. (jointly).

Chenango & Unadilla Telephone Co.
July 17 company applied to New York P. S. Commission for authority to issue $1,000,000 of mortgage bonds, $357,000 of preferred stock and $300,000 of common stock.

Chicago & Western Indiana RR.
Jan. 31 reported company will probably issue in the near future some bonds to refund the 4% non-callable consolidated first mortgage bonds due July 1, 1952. Refunding of the first and refunding mortgage 4¼% bonds, series A, due Sept. 1, 1962, is also said to be a possibility. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; Lee Higginson Corp.; Harris, Hall & Co. (Inc.); Drexel & Co.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); Harriman, Ripley & Co., Inc.; First Boston Corp.; Lehman Brothers; Paine, Webber, Jackson & Curtis; Kidder, Peabody & Co.

Cleveland Electric Illuminating Co.
Aug. 1 it was reported that company this fall may issue and sell an issue of preferred stock, of which 495,011 shares of no par value are presently available, stockholders on April 25 having increased the authorized amount to 750,000 shares from 500,000 shares. The proceeds are to be used for construction program. Probable underwriter: Dillon, Read & Co. Inc. if negotiated sale.

● **Cleveland Electric Illuminating Co.**
Aug. 8 it was reported company plans issuance this fall of $25,000,000 new bonds. **Underwriters**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; First Boston Corp.; Blyth & Co., Inc.; White, Weld & Co.; Glore, Forgan & Co. and W. C. Langley & Co. (jointly); Dillon, Read & Co. Inc. **Proceeds**—For construction program.

Commercial Credit Co.
March 30 stockholders approved creation of 500,000 shares of cumulative preferred stock (par $100) of which company plans to sell 250,000 shares. A group of underwriters, headed by Kidder, Peabody & Co. and The First Boston Corp., are expected to offer the stock.

Consolidated Edison Co. of New York, Inc.
May 15, Ralph H. Tapscott, Chairman, said the company will require approximately $90,000,000 of "new money" through the sale of securities. No permanent financing is contemplated before this fall, however, and current expenditures are being financed by short-term loans, of which $16,000,000 are now outstanding. It is anticipated that $257,000,000 will be needed for the construction program over the next four years. Probable bidders: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; First Boston Corp.

● **Consolidated Lobster Co., Inc.**
Aug. 11 it was stated that company plans to offer additional capital stock (no par) for subscription by stockholders. At April 30, 1950 there were outstanding 34,393 shares out of 47,000 shares authorized.

Delaware Power & Light Co. (9/27)
Aug. 1 it was reported that company plans to issue this fall approximately $12,000,000 to $14,000,000 of new bonds to complete its 1950 financing program. Probable bidders: Halsey, Stuart & Co. Inc.; Kuhn, Loeb & Co. and Salomon Bros. & Hutzler (jointly); First Boston Corp.; Union Securities Corp.; Lehman Brothers; Morgan Stanley & Co.; White, Weld & Co. and Shields & Co. (jointly); W. C. Langley & Co. Expected Sept. 27.

Duquesne Light Co.
July 27 it was announced that the company plans the sale at competitive bidding of $7,500,000 of new preferred stock (par $50), following sale of $12,000,000 of first mortgage bonds due Aug. 1, 1980 (registration statement for latter issue was filed with SEC on July 25). Probable bidders: W. C. Langley & Co.; Kuhn, Loeb & Co. and Smith, Barney & Co. (jointly); First Boston Corp.; Kidder, Peabody & Co., Merrill Lynch, Pierce, Fenner & Beane and White, Weld & Co. (jointly); Lehman Brothers. Proceeds will be used for construction program. Expected late in September.

Eastern Utilities Associates
May 23 it was announced that under a plan filed with the SEC a new company will be formed to acquire the assets of Eastern, and of the Brockton Edison Co., Fall River Electric Light Co. and Montaup Electric Co. and will issue and sell $22,000,000 of first mortgage and collateral trust bonds and $8,500,000 of preferred stock.

El Paso Electric Co., El Paso, Tex.
July 19 it was announced company plans to refund $3,500,000 bank loans (authority for which is sought from FPC) with permanent financing prior to March 31, 1951, their maturity date. The last issue of debentures was placed privately last September with the John Hancock Mutual Life Insurance Co. Previous financing underwritten by White, Weld & Co.

Elliott Co.
May 26 it was reported that between 47,000 and 48,000 shares of this company's common stock may be offered some time in the near futuer through F. Eberstadt & Co.

Emerson Radio & Phonograph Corp.
May 29, Benjamin Abrams, President, announced that company may use unissued 1,240,390 shares of capital stock (par $5) to acquire additional plant facilities if needed. Traditional underwriter: F. Eberstadt & Co.

Florida Power Corp.
July 31 the company was said to be considering new financing in the form of bonds, preferred stock and common stock, the proceeds to be used to continue its construction program. Previous financing handled by Kidder, Peabody & Co.

Florida Power & Light Co.
June 9 stockholders approved creation of 50,000 shares of $4.50 cumulative preferred stock (par $100). These shares are soon expected to be offered to finance part of construction program which is expected to require approximately $25,000,000 new capital through 1952.

Georgia Natural Gas Co., Albany, Ga.
Aug. 2 filed new application with FPC for authority to construct a 335-mile pipeline system in Georgia and Florida to cost about $5,100,000, which would be financed through issuance of first mortgage pipe-line bonds and the sale of common stock. Previous application was withdrawn.

Holeproof Hosiery Co.
June 22 it was announced that registration statement is expected to be filed shortly covering not less than 25% and not exceeding 33⅓% of the stock held by principal stockholders following proposed 7½-for-1 stock split up to be voted upon Aug. 16.

Houston Lighting & Power Co.
April 14, S. R. Bertron, President, estimated construction expenditures for 1950 between $19,000,000 and $20,000,000. This estimate may be raised to accommodate increased power demands on the system. If this is the case, more financing will be necessary, he added. This may be done through additional common or preferred stock financing.

Iowa Southern Utilities Co.
April 26 company said to plan sale of first mortgage bonds to finance part of its $3,200,000 construction program for 1950. Probable underwriter: The First Boston Corp.

● **Kansas City Southern Ry. (8/23)**
Bids will be received by the company at 25 Broad Street, New York, N. Y. up to noon (EDT) on Aug. 23 for the purchase from it of $2,700,000 equipment trust certificates, series K, to be dated Sept. 1, 1950, and mature $180,000 each Sept. 1 from 1951 to 1965, inclusive. Probable bidders: Halsey, Stuart & Co. Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.); R. W. Pressprich & Co.; Lee Higginson Corp.; Blair & Co., Inc. and L. F. Rothschild & Co. (jointly).

La Crosse Telephone Co.
June 6, company announced that it has advised the Wisconsin P. S. Commission that it expects to sell $1,000,000 of long-term bonds and not less than $600,000 additional common stock. Proceeds will be used to repay $1,300,000 bank loans, due in September, 1951, and the remaining $300,000 will go to Central Telephone Co., parent, to repay temporary advances for construction. Probable underwriter: Paine, Webber Jackson & Curtis.

Long Island Lighting Co.
May 18 it was reported company's construction program in 1950 will cost $20,000,000 which is currently being financed by up to $12,000,000 bank loans pending permanent financing which may be done following effectiveness of consolidation plan. Probable bidders for any new securities include Smith, Barney & Co.

Lorillard (P.) Co.
April 4, Herbert A. Kent, President, said: "It may be necessary to do some financing" before Aug. 1, 1951 to redeem $6,195,450 of 5% bonds due on that date and for additional working capital to meet expanded sales volume. He added that company plans to pay off its bank loans in full by July, 1950. These loans now amount to $12,000,000. Traditional underwriters: Lehman Bros. and Smith, Barney & Co.

Macy (R. H.) & Co.
May 8 it was reported that company is considering issuance of $10,000,000 of new securities, either debentures or preferred stock. Traditional underwriters — Lehman Brothers; Goldman, Sachs & Co.

Market Basket, Los Angeles, Calif.
May 25 company announced it plans sale of 4,452 shares of authorized but unissued, preferred stock, series C, (par $15) and an additional 30,000 shares of preferred stock, (par $15) to be authorized. Further details not available.

Meck Industries, Inc., Plymouth, Ind.
July 29 it was reported company plans sale of approximately 250,000 shares of common stock, subject to market conditions. **Underwriter**—Otis & Co. **Proceeds**—For working capital.

Michigan Bumper Corp., Grand Rapids, Mich.
July 20 stockholders voted to increase authorized common stock (par $1) from 250,000 shares to 500,000 shares, with holders of present outstanding stock to have no pre-emptive rights.

Michigan Consolidated Gas Co.
Aug. 7 it was announced company contemplates permanent financing will be consummated before maturity (Feb. 20, 1951) of proposed $25,000,000 bank loans which will include, during 1950, $20,000,000 of first mortgage bonds and $6,000,000 of common stock, and the sale, in 1951, of about $10,000,000 of preferred stock. **Underwriters for Bonds**—To be determined by competitive bidding. Probable bidders: Halsey, Stuart & Co. Inc.; White, Weld & Co. and Lehman Brothers (jointly); Smith, Barney & Co. and Blyth & Co., Inc. (jointly). **Proceeds**—To pay off short-term bank loans and for new construction costs. The additional common stock will be sold to American Natural Gas Co., parent. Expected this Fall.

Michigan-Wisconsin Pipe Line Co.
July 25 company received SEC authority to borrow not more than $20,000,000 from banks. A permanent financing program provides for the elimination of these bank loans prior to their maturity, July 1, 1951, and such program will include the issuance and sale of $12,000,000 additional bonds and $3,000,000 of additional common stock. Previous debt financing was placed privately.

MidSouth Gas Co.
July 31 it was announced that this newly organized company may issue and sell publicly $2,800,000 of common stock and place privately with institutional investors $6,900,000 of 20-year 3¾% first mortgage bonds, the proceeds to be used in connection with the acquisition of the gas distribution properties of Arkansas Power & Light Co. Initially it is planned to sell $800,000 stock and $1,500,000 of bonds. **Underwriter for Stock**—Equitable Securities Corp., T. J. Raney & Sons and Womeldorff & Lindsay.

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Milwaukee Gas Light Co.

June 21 it was announced that the company's permanent financing program, expected to be consummated prior to October, 1950, will involve refinancing of $13,334,000 of first mortgage 4½% bonds due 1967, $2,000,000 of 7% preferred stock and bank loans (about $8,500,000) through the issuance of new senior securities and common stock (American Natural Gas Co. now owns 97.7% of presently outstanding common stock). Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Glore, Forgan & Co., and Lehman Brothers (jointly); Kidder, Peabody & Co.; Harriman Ripley & Co.; Smith, Barney & Co., Kuhn, Loeb & Co. and Blyth & Co., Inc. (jointly).

Mountain Fuel Supply Co. of Utah

June 6 company announced plans to create a new firm to take over its exploration and development of natural gas and oil operations. It will be financed, in part, through public sale by the new unit of 1,000,000 shares of capital stock (par $8). Financing plan submitted by First Boston Corp. Expected this Fall.

Mountain States Power Co.

May 17 the stockholders voted to increase the authorized preferred stock (par $50) from 75,000 to 150,000 shares. There are presently outstanding 72,993 shares. Probable underwriter: Merrill Lynch, Pierce, Fenner & Beane.

New England Power Co.

April 24 it was estimated that about $37,000,000 new financing will be required to pay construction costs estimated at $40,000,000 for 1950 to 1952. Present plans are to issue in late summer or early fall $10,000,000 bonds and 50,000 shares of preferred stock. Probable bidders: (1) For bonds—Halsey, Stuart & Co., Inc.; (2) for bonds and preferred: Harriman Ripley & Co. Inc.; Lehman Brothers; Kidder, Peabody & Co.; First Boston Corp.; Merrill Lynch, Pierce, Fenner & Beane; (3) for preferred:—W. C. Langley & Co.

New Orleans Public Service, Inc.

Aug. 2 company applied to SEC for authority to issue and sell 160,074 additional shares of common stock (no par) to be offered to common stockholders at rate of 0.168 share for each share held Middle South Utilities, Inc., parent, and owner of 906,671.823 shares of New Orleans stock, proposes to purchase 152,320 of the 160,074 shares to be offered. **Price**—$25 per share. **Proceeds**—For construction program.

New York State Electric & Gas Corp.

May 24 it was reported company expects to sell $14,000,000 of bonds and $6,000,000 of new preferred stock in June, 1951, with an additional $10,000,000 of new securities to be sold in 1952, the proceeds to be used to pay, in part, cost of new construction estimated to total $55,800,000 in the next three years. Probable bidders for bonds and preferred: Blyth & Co., Inc., and Smith, Barney & Co. (jointly); First Boston Corp. and Glore, Forgan & Co. (jointly); Harriman Ripley & Co. Inc. Probable bidders for bonds only: Halsey, Stuart & Co. Inc.

Niagara Mohawk Power Corp.

Jan. 19 announced that construction program will necessitate in 1950 not more than $25,000,000 of additional debt or equity financing, including short-term bank loans. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Morgan Stanley & Co.; The First Boston Corp.; Kuhn, Loeb & Co.

Northern States Power Co. (Minn.)

July 29 it was reported that the company will be in the market probably this fall with an offering of $17,500,000 new preferred stock. Probable bidders: Lehman Brothers and Riter & Co. (jointly); Smith, Barney & Co. Proceeds would be used for new construction.

Pacific Northwest Pipeline Corp.

June 30 company sought FPC authority to build a 2,175 mile pipeline system—from southern Texas to Washington—at a cost of $174,186,602. Negotiations for major financing requirements are now in process of being completed.

Pacific Power & Light Co.

April 13, Paul McKee, Presdient, disclosed that a group of 16 purchasers who acquired company's 500,000 shares of common stock from American Power & Light Co. on Feb. 6, last, had informed him of their intention to make a public distribution of these shares at earliest practical date, which may be sometime in October. A. C. Allyn & Co., Inc. and Bear, Stearns & Co. headed this group. The 500,000 shares of common stock are being split-up on a 3½-for-1 basis, all or part of which will be publicly offered. Company also expects to raise $3,000,000 in new money later this year and a similar amount in 1951. Registration of new 1,750,000 expected next month.

Packard-Bell Co.

Aug. 2 it was stated that following approval on Aug. 25 of an increase in the authorized common stock from 500,000 shares, par $1, to 1,200,000 shares, par 50 cents, to be followed by a two-for-one split-up, the company may issue additional common stock for the purpose of raising additional working capital. Traditional underwriter: Cruttenden & Co.

Pennsylvania RR.

July 12 company reported planning issuance and sale early in September of $10,005,000 additional equipment trust certificates, series Z, to mature annually April 1, 1951 to April 1, 1965. Probable bidders: Halsey, Stuart & Co. Inc.; Harriman Ripley & Co., Inc. and Lehman Brothers (jointly); Salomon Bros. & Hutzler.

Philadelphia Electric Co.

May 5 it was said that there will be additional financing later this year, with probably some common stock to be underwritten by Drexel & Co. Bond financing would be competitive, and preferred stock would be either negotiated or competitive.

Plantation Pipe Line Co.

July 6, it was reported that this company, an affiliate of Standard Oil Co. (New Jersey), is contemplating financing of about $50,000,000, part of which is expected to be placed privately and the balance sold to the public. **Underwriter**—May be Morgan Stanley & Co. **Proceeds**—To be used to build new pippe line, with construction to begin early next year and completion scheduled for early 1952.

Public Service Electric & Gas Co.

April 17 stockholders approved the issuance of $90,000,000 new bonds for the purpose of refunding $50,000,000 3⅛% bonds due 1965; $10,000,000 3¼% bonds due 1968; $15,000,000 3% bonds due 1970 and $15,000,000 bonds due 1972. Probable bidders: Halsey Stuart & Co. Inc.; Morgan Stanley & Co. and Drexel & Co. (jointly); Kuhn, Loeb & Co. and Lehman Brothers (jointly); First Boston Corp.

Reading Co.

July 31 it was reported that company may in near future sell an issue of equipment trust certificates, series T. Probable bidders: Halsey, Stuart & Co., Inc.; Salomon Bros. & Hutzler; Harris, Hall & Co. (Inc.).

● **Reynolds Metals Co.**

Aug. 9 stockholders increased the authorized common stock from 1,500,000 to 2,500,000 shares. The corporation has no intention of issuing any of the additional shares at this time. Traditional underwriters: Lehman Brothers and Reynolds & Co.

● **Roosevelt Mills, Inc., Manchester, Conn.**

July 20 company was reported to be negotiating with a group of underwriters for a public stock offering of about $150,000 of additional capital stock at $1 or $2 per share. There are presently outstanding 1,381 shares of stock, which are closely held.

San Diego Gas & Electric Co.

July 31 it was reported that the company's original plan to issue between $8,000,000 and $10,000,000 of bonds late in September or early October may be changed to preferred stock, depending upon market conditions. If negotiated, Blyth & Co., Inc. may handle financing. If competitive, probable bidders are: Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); First Boston Corp.; White, Weld & Co. and Shields & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Union Securities Corp.; Salomon Bros. & Hutzler. Proceeds would go toward construction program.

Schering Corp.

May 4, it was announced that the company's entire common stock issue (440,000 shares) was expected to be registered with the SEC in the near future and offered for sale to the highest bidder by the Office of Alien Property. Probable bidders: A. G. Becker & Co. (Inc.), Union Securities Corp. and Ladenburg, Thalmann & Co. (jointly); Merrill Lynch, Pierce, Fenner & Beane; Kidder, Peabody & Co.; F. Eberstadt & Co.; Allen & Co.; new company to be formed by United States & International Securities Corp.; Dillon, Read & Co.; F. S. Moseley & Co.; Riter & Co.

Sierra Pacific Power Co.

June 2 company announced it plans to finance and permanently refund $2,200,000 of bank loans by the sale of debentures and common stock prior to Oct. 31, 1950. Probable bidders for bonds: Halsey, Stuart & Co. Inc.; Stone & Webster Securities Corp.

South Carolina Electric & Gas Co.

May 11 it was announced company plans to spend in the next four years $34,000,000, of which $11,600,000 will be spent in 1950. It is estimated that $6,000,000 of new money will be required this year, to be raised by the sale of $3,000,000 of bonds and 60,000 shares of preferred stock (par $50). Probable bidders include Lehman Brothers.

South Jersey Gas Co.

June 15 United Corp. proposed, under its amended plan filed with SEC, to sell its holdings of 154,231.8 shares of South Jersey Gas Co. common stock as to which an exemption from competitive bidding is requested.

Southern California Edison Co.

March 3 it was reported that company expects to issue this summer $55,000,000 of bonds. Probable bidders: The First Boston Corp. and Harris, Hall & Co. (Inc.) (jointly); Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Shields & Co. Proceeds would be used to refund $30,000,000 3¼% bonds and for construction costs.

Southern Natural Gas Co.

July 31 it was reported proposed financing on a permanent basis has been increased from $10,000,000 to $24,000,000 first mortgage bonds, although company may decide to take this in two pieces, viz: $10,000,000 to $12,000,000 initially and the balance later on. On June 21 SEC approved temporary bank borrowings of up to $20,000,000 to mature July 1, 1951, the proceeds to be used for construction program which is estimated to cost $32,520,000 for 1950-1951. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc. and Kidder, Peabody & Co. (jointly); First Boston Corp.

Southern Utah Power Co.

June 8 SEC authorized trustee of Washington Gas & Electric Co. to undertake negotiations with "all interested parties" for the sale of its common stock interest (62,910 shares) in Southern Utah Power Co. for not less than a $550,000 base price, plus adjustments.

Southwestern Public Service Co.

Aug. 1 it was announced by Herbert L. Nichols, Chairman, that the company expects to raise between $17,500,000 and $18,000,000 through the sale of securities during the fiscal year beginning Sept. 1, 1950. This may include bonds to be placed privately and the balance to be offered publicly as preferred and common stock with Dillon, Read & Co. Inc. underwriting. The proceeds are to pay for construction costs.

Tampa Electric Co.

April 25 it was announced company plans to raise $4,700,000 in new money through sale of additional securities, the proceeds to finance in part 1950 construction expenditures.

Tide Water Power Co.

May 4 stockholders have approved an increase in the authorized common stock to 1,000,000 shares from 500,000 shares. It was understood that 125,000 shares may be sold. Traditional underwriters: Union Securities Corp.; W. C. Langley & Co.

Toronto (Ont.), Canada

July 25 the Board of Control authorized the sale in the United States of $15,000,000 debentures to provide funds for construction of Toronto's subway. The proposal provides for borrowing at an average interest rate of 2.84%. The new debentures were placed privately last week with institutional investors through a banking group headed by Dominion Securities Corp. and Harriman Ripley & Co., Inc.

United Gas Pipe Line Co.

July 25 filed with FPC for authority to build 1,130 miles of new lines in Texas, Louisiana and Mississippi at a cost of about $110,000,000, including new facilities. It is probable that the bulk of this new capital will be raised through the public sale of new securities.

Utah Natural Gas Co.

June 5 it was announced company plans to build a 325-mile 22-inch pipe line in Utah to cost approximately $25,000,000. Hearings will be held before the Utah P. S. Commission in August or September, after a study of the project.

Valley Gas Pipe Line Co., Inc., Houston, Tex.

June 27 company sought FPC authorization to construct a $144,500,000 pipeline project to carry natural gas from the Gulf Coast and off-shore fields in Louisiana and Texas to markets in Indiana, Ohio and Michigan. Company is now in process of completing negotiations for its major financing requirements.

Victor Chemical Works

Aug. 1 it was announced company will build a new electric furnace phosphate plant at Silver Bow, Mont., to cost $5,000,000. Financing may be placed privately. Traditional underwriter: F. Eberstadt & Co., New York.

● **Warner-Hudnut, Inc.**

July 20 change in company's name from William R. Warner & Co., Inc. was approved, but no action was taken on proposed recapitalization plan, due to market conditions. It is planned to file a registration with the SEC covering the sale of approximately 325,000 shares of the proposed new common stock (par $1) to the public through a nation-wide group of underwriters headed by F. Eberstadt & Co., Inc.

Western Pacific RR.

July 17 it was reported company plans issuance and sale of $22,000,000 mortgage bonds. Probable bidders: Halsey, Stuart & Co. Inc.; Blyth & Co., Inc.; Lehman Brothers and Bear, Stearns & Co. (jointly); Union Securities Corp. and Glore, Forgan & Co. (jointly). **Proceeds**—To retire first mortgage 4% bonds and convertible income 4½% bonds due 2014, and over $5,000,000 "new money." Expected about middle of November.

Wilcox-Gay Corp.

July 14 it was announced that in connection with proposed acquisition of Garod Radio Corp. and Majestic Radio & Television, Inc., Wilcox-Gay-Majestic Corp., the new company plans public offering of 500,000 shares of new stock. **Traditional Underwriter**—Gearhart, Kinnard & Otis. **Proceeds**—For working capital.

Our Reporter's Report

The new issue market has run full tilt into its usual mid-August dullness and seems likely to remain hung on "dead-center" for the balance of the current month, say investment bankers and others engaged in such distributions.

But there appears to be something more than just the customary summer "dog days" involved in the situation at the moment. The rush of buying several weeks back apparently has carried the seasoned market to levels at which institutional buyers have drastically curtailed their interest in high-grades of the type suited to their needs.

These buyers have their own ideas about yields and at the moment, the return offered by quality liens is a bit too thin for their liking. This was demonstrated a fortnight or so back when the Columbia Gas System's $90,000,000 of 25-year debentures were brought to market.

One large pension fund and a few of the smaller insurance companies took down sizable blocks of this issue at the offering price of 102.308 where the yield was 3.87%. But none of the big companies appeared interested at that level.

The sponsoring syndicate lost little time in moving to clean up the situation here. The group decided to cut the issue loose and let it find its own level. With the syndicate agreement abandoned the debentures slipped down to a low of 101¾ and later recovered to around 102⅛ bid 102⅜ asked. Once freed the issue moved rapidly, and since the syndicate paid a price of 101.80 to the company, any loss sustained was chiefly in time and effort put into preparation for the deal.

Waiting Market Out

The situation marketwise was further emphasized by the decision of the Duquesne Light Co. to forego its projected financing operation until a later date.

This power company plans to issue $12,000,000 of new mortgage bonds and had tentatively set Aug. 22 as the date for the opening of bids thereon.

However, earlier this week it was announced that the operation had been postponed indefinitely. No reason for the action was given, but market observers ascribed it to recognition of the indifference of institutional buyers at the moment to liens of this type, rated triple A, and consequently low in yield.

Backlog Is Growing

The backlog of potential new offerings is growing steadily as additional companies place prospective issues in registration. But it now looks as though it will be around the middle of September before things really start to pick up and then, of course, if market conditions are "right."

Duquesne Light's offering probably will go over into the new month, with several other power companies also contemplating flotations at that time. One of the biggest issues on the forward roster is $40,000,000 of new first mortgage bonds for Tennessee Gas Transmission Co., recently placed in registration. Bids here are expected to be opened around Sept. 11 next.

Close behind is Virginia Electric & Power Co. which contemplates the sale of $20,000,000 of 30-year bonds now regarded set for competitive bidding on Sept. 12. New Hampshire Electric may open bids about Sept. 19 for $3,800,000 of bonds while Delaware Power & Light Co. is preparing an offering of $12,000,000 bonds for bids around Sept. 27. Meanwhile Plantation Pipe Line Co., subsidiary of Standard Oil Co. (N. J.) is embarked upon a $52,000,000 new money undertaking by way of negotiated banking arrangements, with $40,000,000 to be offered publicly and the balance raised through the medium of bank loans.

Second Quarter Record

Securities and Exchange Commission tabulations disclose that corporate financing in the June quarter ran up to a total of about $2,200,000,000 of which approximately half was for the account of public utility borrowers. This compared with an over-all total of $2,450,000,000 in the second quarter of 1949.

Debt issues continued to comprise by far the bulk of the quarter's new security aggregate standing at $1.6 billion. But there was a decided expansion in use of the equity market by corporations seeking new funds or money for refinancing or retirement of debts.

The equity outpourings in the period rung up a total of better than $600,000,000 of which common stocks accounted for around $375,000,000 and preferred shares for the balance of about $230,000,000. As in the case of debt issues, utilities were the chief source of new equity offerings.

With Inv. Diversified

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—George F. Doran is with Investors Diversified Services, Inc., Roanoke Bldg. He was formerly with Paine, Webber, Jackson & Curtis.

Caswell Co. Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—Harry V. Flick is with Caswell & Co., 120 South La Salle Street, members of the Midwest Stock Exchange.

With C. S. Ashmun Co.

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn.—Harton I. Booker is associated with C. S. Ashmun Company, First National Soo Line Bldg. He was formerly with First Boston Corp.

Joins Dayton & Gernon

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Richard L. Read has joined the staff of Dayton & Gernon, Rand Tower. He wes previously with Paine, Webber, Jackson & Curtis.

Joins Lloyd D. Fernald

(Special to The Financial Chronicle)

SPRINGFIELD, Mass.—George L. Mirick has become connected with Lloyd D. Fernald & Co., Inc., 1387 Main Street, members of the Boston Stock Exchange.

Draper, Sears Adds

(Special to The Financial Chronicle)

BOSTON, Mass. — Donald H. Foster is connected with Draper, Sears & Co., 53 State Street, members of the New York and Boston Stock Exchanges.

With Waddell & Reed

(Special to The Financial Chronicle)

BEVERLY HILLS, Cal.—Paul W. Hord is now with Waddell & Reed, Inc., 8943 Wilshire Boulevard.

F. H. Breen Adds

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Richard W. Denner has been added to the staff of F. H. Breen & Co., 609 South Grand Avenue.

Joins Quincy Cass Staff

(Special to The Financial Chronicle)

LOS ANGELES, Cal.—Gail E. Moreton has joined the staff of Quincy Cass Associates, 523 West Sixth Street, members of the Los Angeles Stock Exchange.

With Richard J. Buck

(Special to The Financial Chronicle)

BOSTON, Mass.—Herbert P. Bagley II is associated with Richard J. Buck & Co., 8 Newbury Street.

With Waddell & Reed

(Special to The Financial Chronicle)

MINNEAPOLIS, Minn. — Dana C. Eckenbeck is associated with Waddell & Reed, Inc., of Kansas City. In the past he was an officer of Couper-Eckenbeck Co., Inc., and was with John J. Seerley & Co.

A. G. Becker Adds

(Special to The Financial Chronicle)

CHICAGO, Ill.—John L. Heymann and John W. Stodder have been added to the staff of A. G. Becker & Co., Inc., 120 South La Salle Street.

Joins Blunt Ellis Simmons

(Special to The Financial Chronicle)

CHICAGO, Ill.—David J. Burke is with Blunt Ellis & Simmons, 208 South La Salle Street, members of the New York and Midwest Stock Exchanges. He was previously with Dayton & Gernon.

DIVIDEND NOTICE

AMERICAN CYANAMID COMPANY

Preferred Dividend

The Board of Directors of American Cyanamid Company on August 15, 1950, declared a quarterly dividend of eighty-seven and one-half cents (87½¢) per share on the outstanding shares of the Company's 3½% Cumulative Preferred Stock, Series A and Series B, payable October 2, 1950, to the holders of such stock of record at the close of business September 5, 1950.

Common Dividends

The Board of Directors of American Cyanamid Company on August 15, 1950, declared

1. A quarterly dividend of seventy-five cents (75¢) per share on the outstanding shares of the Common Stock of the Company, payable September 28, 1950, to the holders of such stock of record at the close of business September 5, 1950;

and

2. A special dividend of twenty-five cents (25¢) per share on the outstanding shares of the Common Stock of the Company, payable September 28, 1950, to the holders of such stock of record at the close of business September 5, 1950.

R. S. KYLE, *Secretary*.

DIVIDEND NOTICES

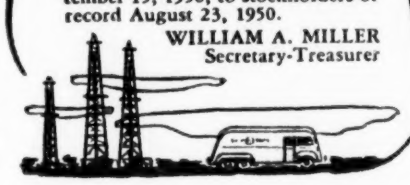
TECHNICAL OIL FIELD SERVICES

LANE-WELLS COMPANY

Dividend Notice

The Directors have declared a quarterly dividend of 60 cents and an extra dividend of 10 cents per share on the common stock, payable September 15, 1950, to stockholders of record August 23, 1950.

WILLIAM A. MILLER
Secretary-Treasurer



AMERICAN BANK NOTE COMPANY

Preferred Dividend No. 178
Common Dividend No. 168

A quarterly dividend of 75¢ per share (1½%) on the Preferred Stock for the quarter ending September 30, 1950, and a dividend of 25¢ per share on the Common Stock have been declared. Both dividends are payable October 2, 1950, to holders of record September 5, 1950. The stock transfer books will remain open.

W. F. Colclough, Jr.
July 26, 1950 Secretary

BRIGGS & STRATTON

BRIGGS & STRATTON CORPORATION

DIVIDEND

The Board of Directors has declared a quarterly dividend of twenty-five cents (25c) per share and an extra dividend of thirty-five cents (35c) per share, less 2.75 per cent Wisconsin privilege dividend tax, on the capital stock (without par value) of the Corporation, payable September 15, 1950, to stockholders of record August 30, 1950.

L. G. REGNER, Secretary.
August 15, 1950

Manufacturers of AE WALL & FLOOR TILE

AMERICAN ENCAUSTIC TILING COMPANY, INC.

Common Stock Dividend

The Board of Directors has today declared a quarterly dividend of 12½ cents a share on the Common Stock, payable August 31, 1950, to stockholders of record on August 24, 1950.

G. W. THORP, JR.
Treasurer
August 11, 1950.

DIVIDEND NOTICES

Newmont Mining Corporation

Dividend No. 88

On August 15, 1950, a dividend of seventy-five cents (75c) per share was declared on the Capital Stock of Newmont Mining Corporation, payable September 14, 1950 to stockholders of record at the close of business August 25, 1950.

GUS MRKVICKA, *Treasurer*.
New York, N. Y., August 15, 1950.

Reeves

REEVES BROTHERS, INC.

DIVIDEND NOTICE

A quarterly dividend of 25c per share has been declared, payable October 2, 1950, to stockholders of record at the close of business September 5, 1950. The transfer books of the Company will not be closed.

J. E. REEVES, Treasurer
August 11, 1950.

UNION CARBIDE
AND CARBON CORPORATION

UCC

A cash dividend of Fifty cents (50¢) per share on the outstanding capital stock of this Corporation has been declared payable October 2, 1950 to stockholders of record at the close of business September 1, 1950.

KENNETH H. HANNAN,
Secretary

SOUTHERN NATURAL GAS COMPANY
Birmingham, Alabama

Common Stock Dividend No. 46

A dividend of 57½ cents per share has been declared on the Common Stock of Southern Natural Gas Company, payable September 13, 1950 to stockholders of record at the close of business on September 1, 1950.

H. D. McHENRY,
Secretary.
Dated: August 17, 1950.

CANADIAN PACIFIC RAILWAY COMPANY

Dividend Notice

At a meeting of the Board of Directors held today a dividend of two per cent (fifty cents per share) on the Ordinary Capital Stock in respect of the year 1950 was declared payable in Canadian funds on October 2, 1950, to Shareholders of record at 3.00 p.m. on August 23, 1950.

Net earnings from railway operations for the six months ending June 30th, though showing a substantial improvement over the corresponding period of last year, are still insufficient for the paying of any dividend. While hopeful that better results may be achieved in the last half of the year, the Directors point out that the dividend declared today is attributable solely to the Company's income from other sources.

By order of the Board.
FREDERICK BRAMLEY,
Secretary.
Montreal, August 14, 1950.

Washington . . . And You

Behind-the-Scene Interpretations from the Nation's Capital

WASHINGTON, D. C. — One of the mysteries which has a good many Congressmen puzzled is just why some one in the Administration attempted to "slip into" the controls bill a provision which raises the serious possibility that the President could regulate any and all kinds of credit, if this provision stood.

In the original draft of the controls bill as it was sent down from the White House, the President was empowered to regulate and control consumer and real estate credit. In a subsequent revision an entirely new section appeared (Sec. 3 of Title IV of the House Bill and Sec. 2 of Title VI of the Senate Bill) which broadly defined "any credit." It raises the presumption that perhaps the complete regulation and control of "any credit" is an objective of the Administration.

Congressmen are naturally puzzled, because if the President is seeking the power to control "any credit" then it is far different from vesting him with power only to limit and curb the extension of credit for consumer purchase of durable goods at retail, or mortgage credit for the purchase of homes. With control over "any credit," which means, of course, all credit, the President would have a potent weapon for the complete management of the economy. It is a power which the Administration left-wingers among the social planners have never dared to reach for directly in their boldest ambitions.

In both the House and Senate bills there is one section of the credit title which defines "consumer credit" and another which defines "real estate credit." The title starts out with a general authority to permit the President to control and regulate consumer and real estate credit. Now both bills contain this new Section, defining "any credit."

One interpretation of this surprise amendment, which got no attention in the House until Wednesday of last week and in the Senate until last week-end, was that the new section is a "dependent definition" as the lawyers put it. In other words, it reinforced and supported the general authority of the President expressed in the opening clause to regulate and control consumer and mortgage credit. Under this interpretation the new section is not a broad new category of power, but an amplification of the power over consumer and real estate credit.

The only official confirmation of this limited interpretation of the otherwise broad language was contained in one paragraph of the Senate Banking Committee's report on the bill. This paragraph indicated that the broader language was adopted so as to close any possible loophole in the application of controls to consumer and real estate credit.

One House Committee source unofficially expressed the opinion that this section, if enacted, would not empower the President to control business credit, but officially Chairman Spence said in an interview that he thought the section was meant to empower the President to exercise control over any credit. Mr. Spence added, however, that the President had assured him he was not concerned with extending the scope of credit control beyond consumer and real estate credit. The amendment, he said, would cover any institutional credit, but not a private loan transaction between two persons.

On the other hand, authoritative committee interpretations were that the section specifically was designed to vest in the President authority to control ALL credit. When Rep. John Kunkel (R., Pa.) raised before the House this criticism, Rep. Frank Buchanan of Pennsylvania, a strong Administration supporter on the committee, stated:

"Mr. Chairman, what we are trying to do here is to attack this problem at the top level and to attack the problem of control in general at the credit levels, both general credit as well as real estate and consumer credit."

Rep. Abraham Multer of New York, another ardent Administration supporter on the committee, told the House that if the Wolcott amendment striking out this section prevailed, it would take away "the primary powers" sought by the President.

"This was an entirely dishonest course of action," later charged Rep. Albert Cole (R., Kans.), a member of the committee. "If the intention were merely to make sure that there were to be no loopholes in the regulation of consumer and real estate credit, that should have been, and easily could have been, made clear. On the other hand, if the intention were to vest the power in the President to control all credit, that should have been stated honestly and clearly."

In the face of the statement by Mr. Buchanan that it was intended to control any credit, the House adopted the Wolcott amendment in the committee of the whole. On a separate roll call, however, the Wolcott amendment was killed, and the Congressional Record, in its summary, further nailed down the presumption of the broad objective for this amendment by reporting the House action as follows:

"Rejected 173 yeas to 224 nays, the Wolcott amendment to ban control of all credit except consumer and real estate."

There is also some mystery as to where within the Administration this amendment came from. The committees did not write it themselves. The Federal Reserve Board denied that it had written, considered, or had anything to do with this section. And in its not so confidential memo to the Joint Economic Coommittee advocating fiscal and monetary means over specific controls, it declared that controls over loans to business were not suitable.

* * *

One feature of the Federal Reserve Board "confidential" memorandum to the Congressional Joint Economic Committee was its reopening of the old fight between the Treasury and the Board on the subject of short-term interest rates. The Board very plainly indicated that it would like to see short-term government rates rise, and again argued that even though the Treasury would nominally budget more for interest on the debt, the net loss to the Treasury would be small because much of the additional interest receipts of taxpayers would be picked up by the income tax.

* * *

Any boost in margin requirements beyond the present 50% is reported not to be in sight. The Reserve Board interest is said not to be in the level of security prices, but the extent to which bank credit is going into security buying. This is not excessive at present, it was stated.

* * *

Reports that the U. S is all set to conduct a huge defense-buying program in Canada were said to be decidedly premature at this stage. So far there are said to be plans in concrete form for the purchase of only some $25 million to $30 million of Canadian goods. So long as the U. S. war effort is pegged at anywhere near presently-revealed programs, large-scale buying in Canada is not expected.

If the war effort spreads, however, tnen this situation is likely to change overnight. During the last war, the U. S. and Canada joined in the "Hyde Park Agreement" whereby this country in fact saw to it that lack of U. S. dollar exchange never hampered either the Canadian war effort or the Dominion's "Mutual Aid" program, the equivalent of Lend-Lease. In fact, the U. S. bought so heavily in Canada that the Dominion closed the war with a handsome U. S. dollar account.

There is believed to be in store the prompt reaching of another kind of Hyde Park Agreement, as soon as the Dominion must expand its military program sharply. The new agreement will also be more pervasive than its World War II counterpart.

What is new is that the Dominion will necessarily tie its military effort more closely into the U. S. effort. In particular Canada will fight with many U. S. items of military equipment, such as tanks. In order to buy whole classes of U. S. equipment, the Canadians will have to sell to this country some of the items upon which she can specialize, making them at or near the same prices as they would cost if purchased in the U. S.

Thus, if the war becomes total there is likely to be extensive U. S. procurement of a wide range of Canadian goods, such as trucks, airframes, and perhaps entire aircraft.

* * *

What President Truman has clearly indicated with his selection of the new directorate of the RFC is that his small business financing aid program may be gone for the duration of the war but it is not forgotten by him.

Mr. Truman kicked off the board Harvey J. Gunderson, who was bold enough to tell the Senate committee in open hearing that tax relief was far more essential to small business than easier credit; that if tax relief were granted there would be no need for easier credit.

In place of Mr. Gunderson the President named as a GOP member, Walter E. Cosgriff, President of the Continental Bank and Trust Company, Salt Lake City. Mr. Cosgriff testified before the same committee in favor of the loan insurance title of the small business program, and drew the sugary commendation of New Dealish Senator William Benton of Connecticut.

Another nominee, W. Elmer Harber, president of banks in Shawnee and Seminole, Okla., is said by an Oklahoma Congressman to be an advocate of small business financing aids. He is also Democratic National Committeeman from Oklahoma.

The dropping of Harley Hise as Chairman of the RFC is believed to represent an inevitable sacrifice to the charges of bad management against the RFC, developed in the Senate subcommittee hearings conducted by Senator J. William Fulbright (D., Ark.).

(This column is intended to reflect the "behind the scene" interpretation from the nation's Capital and may or may not coincide with the "Chronicle's" own views.)

BUSINESS BUZZ

"I just worked out a budget to keep us within our budget!"

With John A. Toennessen

(Special to THE FINANCIAL CHRONICLE)

MILWAUKEE, Wis.—Jerome H. Dahlman, for many years with Robert W. Baird & Co. and the Wisconsin Company, has become associated with John A. Toennessen & Co., 135 West Wells Street.

With Edwards & Sons

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Rex W. Ross is with A. G. Edwards & Sons, 409 North Eighth Street, members of the New York and Midwest Stock Exchanges.

Joins Morfeld, Moss

(Special to THE FINANCIAL CHRONICLE)

ST. LOUIS, Mo.—Samuel Ginsberg has been added to the staff of Morfeld, Moss & Hartnett, 721 Olive Street, members of the Midwest Stock Exchange.

With Minneapolis Assoc.

(Special to THE FINANCIAL CHRONICLE)

MINNEAPOLIS, Minn.—Milton P. Reiersgord and Emil A. Voelz are with Minneapolis Associates, Rand Tower.